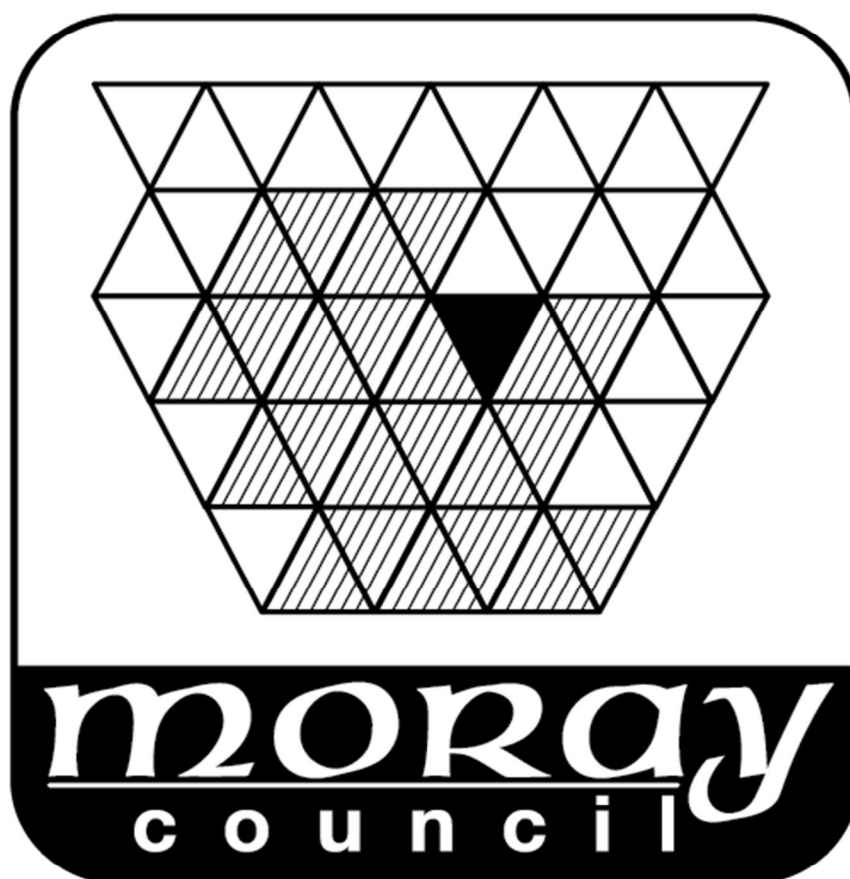


# UNAUDITED ACCOUNTS



ANNUAL ACCOUNTS FOR  
THE YEAR ENDED

31 MARCH 2018



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إذا كنتم في حاجة إلى معلومات من قبل مجلس موراي وتكون بلغة مختلفة أو على شكل مختلف مثل البراي، أسطوانة أوديو أو أن تكون مطبوعة باستعمال حروف غليظة فالرجاء الإتصال بـ

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اگر آپ کو مورے کونسل سے کسی دیگر زبان یا صورت میں معلومات درکار ہوں مثلاً" بریلے، آڈیو ٹیپ یا بڑے حروف، تو مہربانی فرما کر رابطہ فرمائیں:



Head of Financial Services, High Street  
Elgin, IV30 1BX



01343 563125



[accountancy.support@moray.gov.uk](mailto:accountancy.support@moray.gov.uk)



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# Introduction

**Local authority accounting is extremely complex, and although trends in spending and income can be shown the day-to-day financial position of the council changes constantly. Thus any annual accounts can only be a snapshot of the council's position on a specified date in the financial year.**

This management commentary is to help those reading the Annual Accounts understand Moray Council's financial performance in 2017/18. It is designed to illustrate the authority's main achievements, and to highlight some of the risks and challenges it faces in the coming years.

The Annual Accounts are presented in four core statements that comprise the main elements of the following:

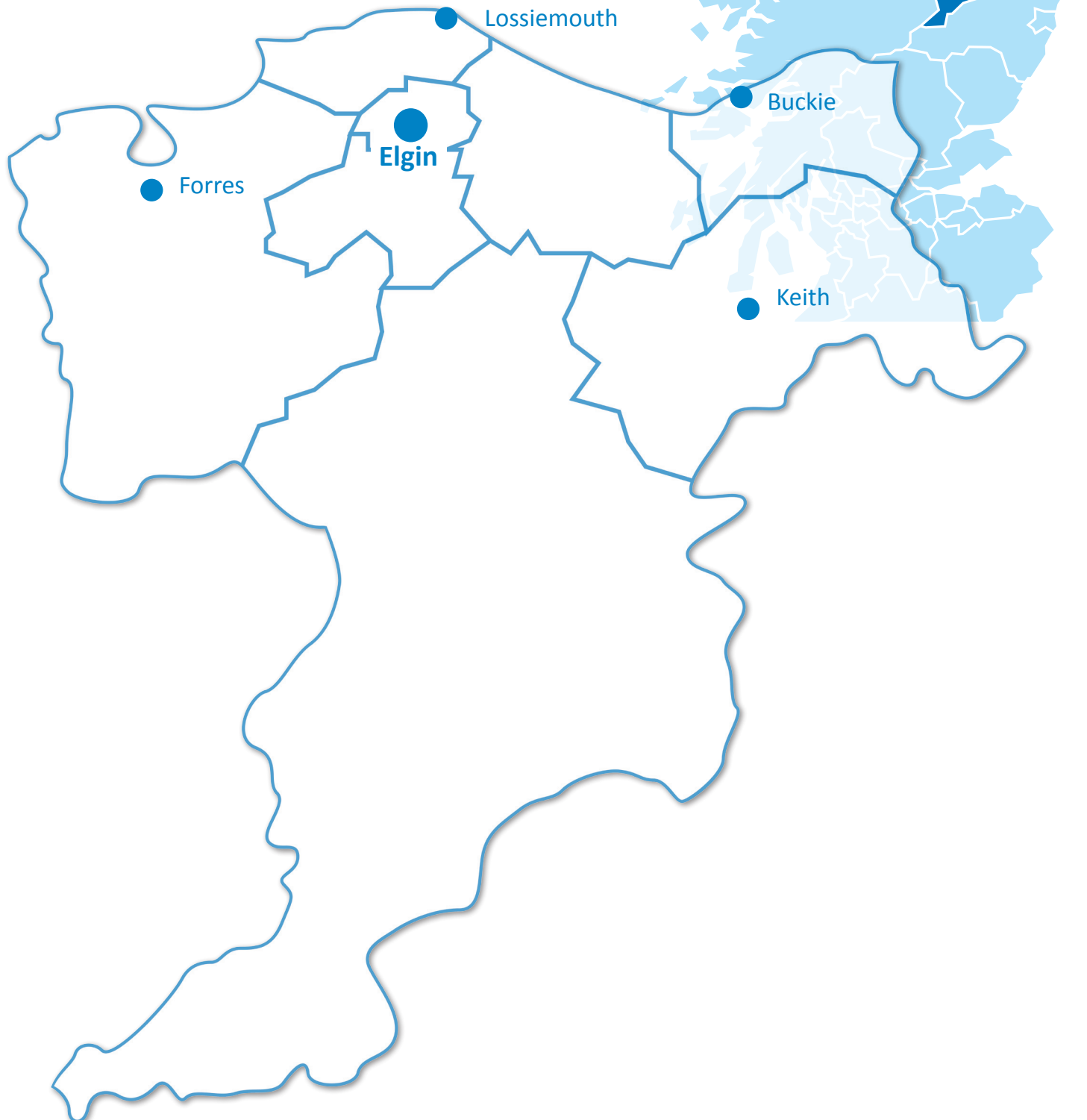
- Income and Expenditure
- Movement in Reserves
- Balance Sheet
- Cash Flow Statement

Other accounting activities are reported within these annual accounts, such as Charitable Trusts and Common Good movements administered by the council.

How we present Annual Accounts is governed by the Code of Practice on Local Authority Accounting in the United Kingdom, to which these accounts comply.

# About the council

Moray is a largely rural area covering a land mass of 2,238 sq km. It also has a long coastline on the Moray Firth with harbours, fishing villages and world-class beaches. The main centre of population is Elgin, which is home to more than one quarter of the people living in Moray. Other towns of population between 5,000 and 10,000 are located at Forres, Buckie, Lossiemouth and Keith.

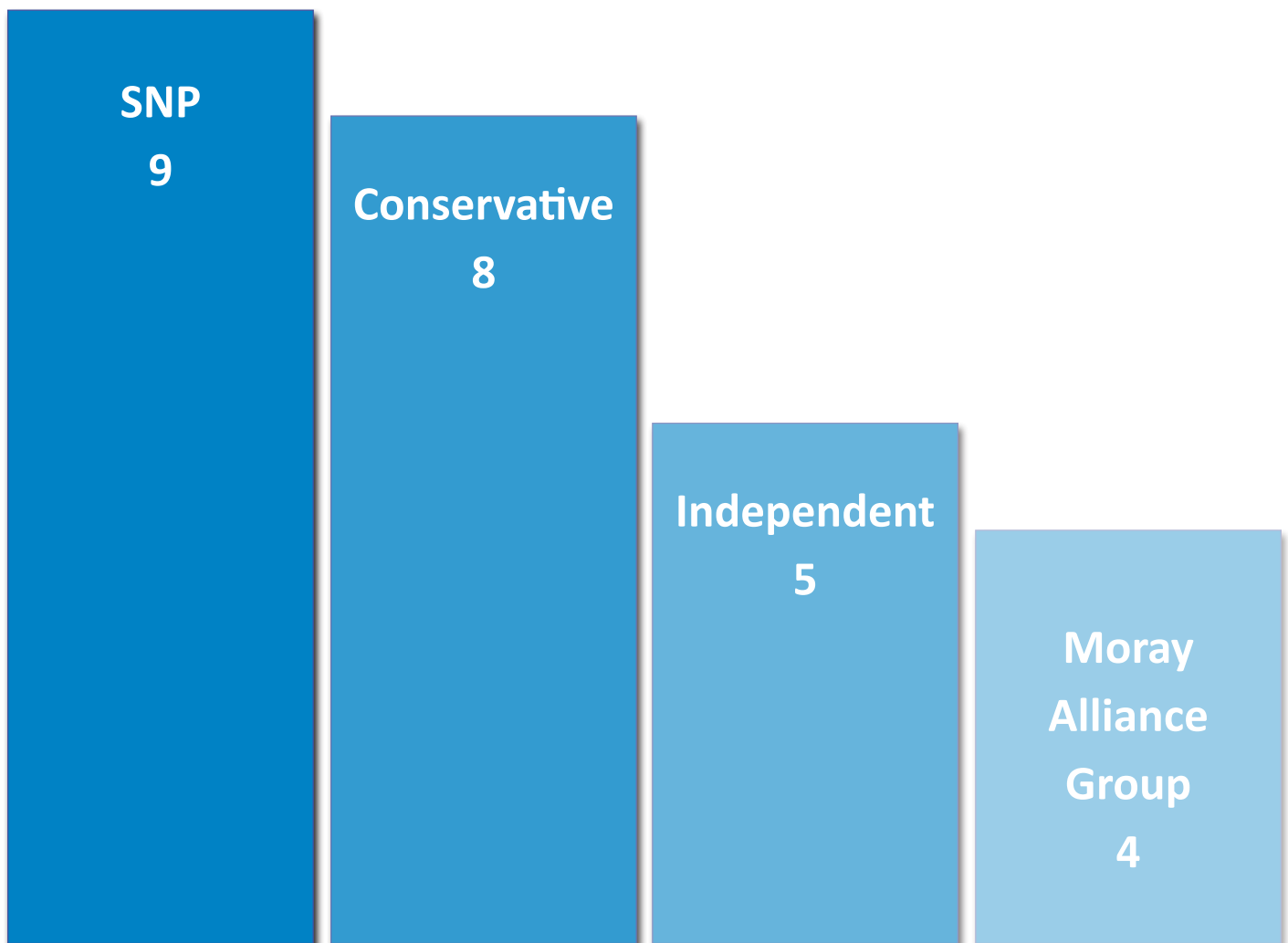


Moray Council was established in 1996 following Local Government Reorganisation and the demise of Grampian Regional Council.



The council is responsible for providing services to the area's population of more than 93,000. These services include education, social care, waste management, housing and the local roads infrastructure. Elections are held every five years to appoint the 26 Councillors, who form the membership of the council. Councillors are supported by the Chief Executive and three

Corporate Directors to establish priorities for services and a programme of continuous improvement. For the 2017/18 period the council was led by an Independent/Conservative coalition comprising eight Conservative and five Independent councillors. Opposition groups are SNP (nine councillors) and the newly-formed Moray Alliance Group (one Labour, three Non-aligned Independents).



### Independent/Conservative coalition

For its size, Moray Council has one of the leanest management structures in Scotland; the Chief Executive and Directors are supported by just nine heads of service and a workforce of around 4,200. Delivering the wide

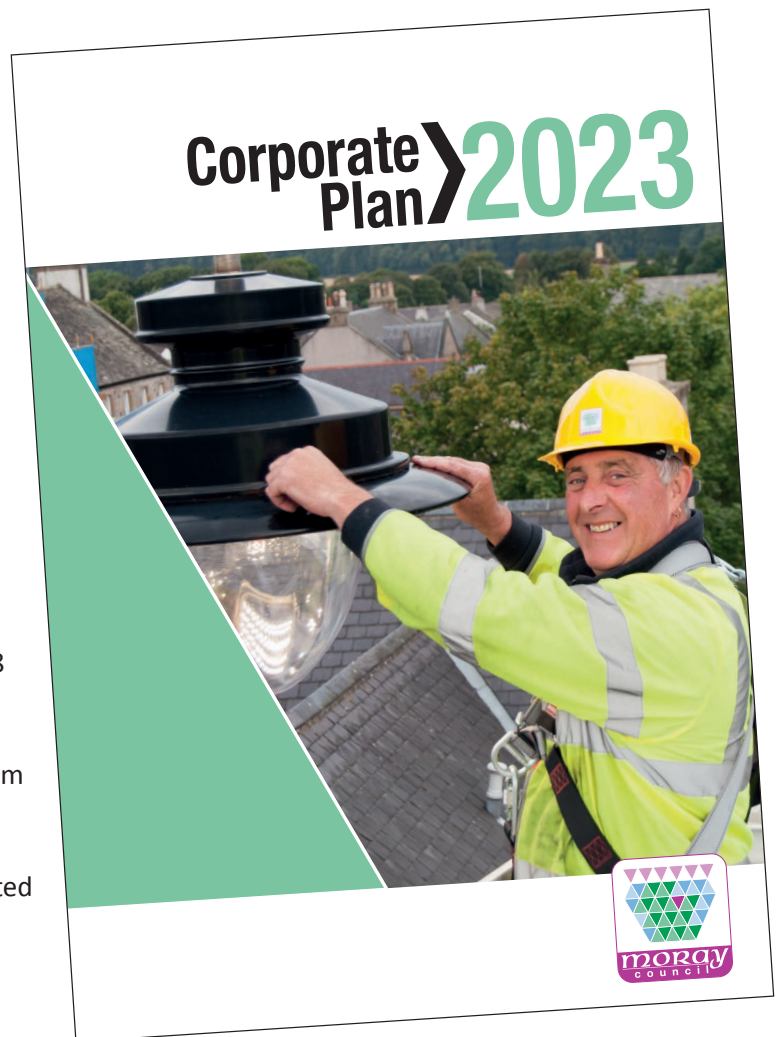
range of services we're responsible for is assisted by a range of contracts with both the private and the third sector.

# Financial Planning and Performance

The council's strategic approach to financial planning is incorporated in the Corporate Plan. The council aims to achieve financial sustainability with reducing funding from Scottish Government and planned to use reserves to cushion the effect of cuts in services. This would enable a planned move to more sustainable services over a period of time. The council has agreed that its asset base needs to be reduced to ensure sustainability, and has adopted a 'Make Do and Mend' approach to capital expenditure to avoid abortive expenditure on assets which may be disposed of.

Public engagement is an important feature of the financial planning process and a consultation exercise in April to October 2016 helped to inform the 2017/18 budget.

The council's financial planning focusses on the medium term, with projections for future years reported to council when the budget is set. Successive single-year settlements from the Scottish Government have resulted in annual budgets being approved. The budgets for 2017/18 (General Fund revenue and capital and HRA revenue and capital) were approved by council on 15 February 2017.



# Some of the council's achievements 2017/18

**Dallas flood alleviation scheme completed, protecting villagers from flood misery**



**Moray Growth Deal bid to secure multi-million funding from governments launched**



**Four of Moray's biggest primary schools get £17m refurbishment**



**New £30million Elgin High School completed on time for the new school year, and on budget**



**Moray Council sells its shipyard in Buckie to enable expansion of Macduff Shipyards**



**£5.5million, four-year programme of LED street light replacement to save £20million in energy costs continues ahead of schedule and £400k under budget.**



**Target to build 220 affordable homes by 2020 on target, 47 built this year.**



**Investment of £9million approved in roads, harbours and bridges**



**Elgin to Lhanbryde cycleway opened**



**First of two solar farms – biggest in Scotland - gets approval**

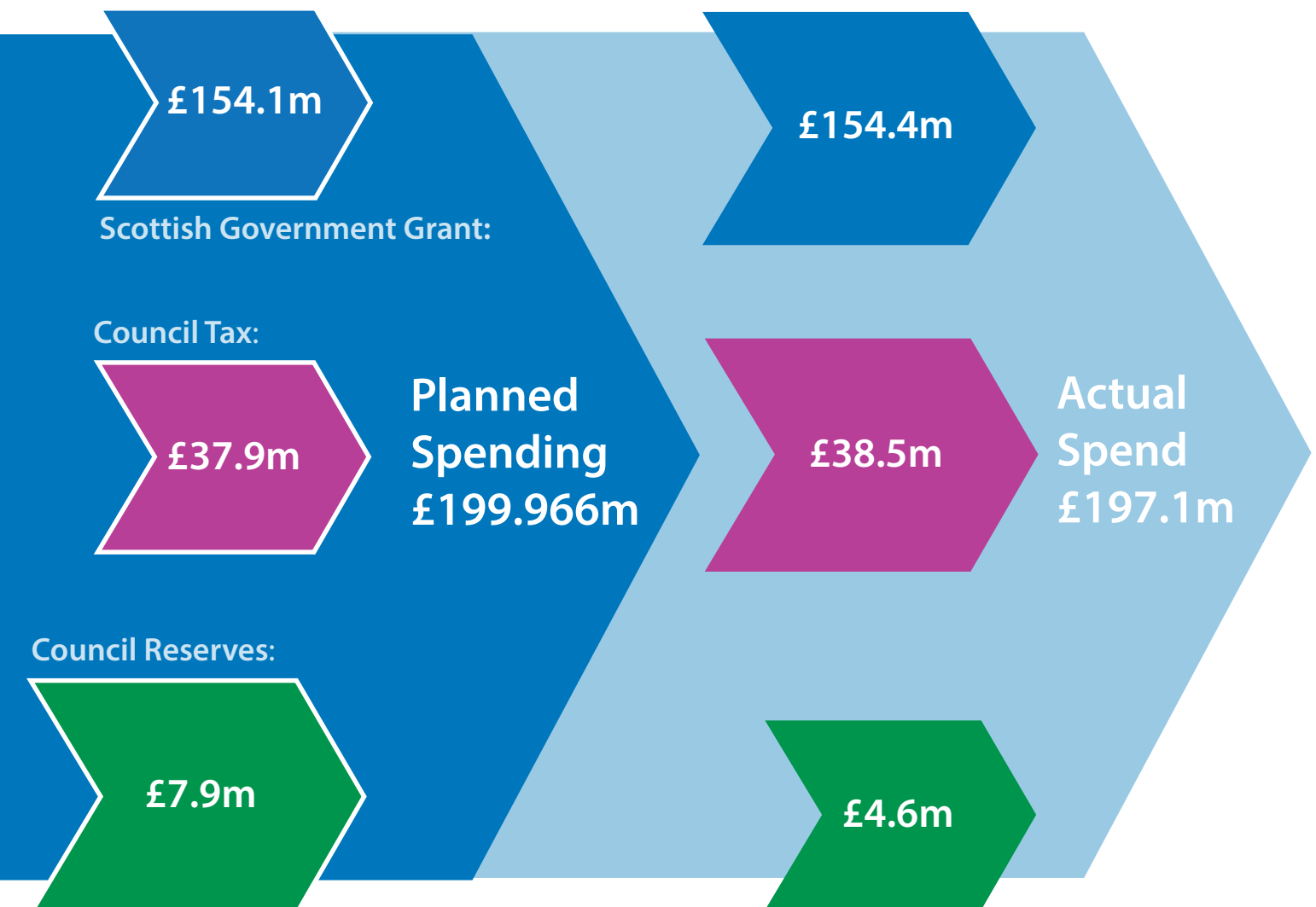


# General Fund Revenue Expenditure

We planned to spend £199.966 million on the council's general services in 2017/18, funded from Scottish Government grant of £154.1 million, Council Tax (£37.9 million) and using £7.9 million of council reserves. During the year the budget was adjusted and the final planned use of reserves was £7.3 million. We actually spent £197.1 million, and received Scottish Government grant of £154.45 million and Council Tax of £38.5 million.

After transferring the balance of ring-fenced funds – mainly for early years childcare and the Pupil Equity Fund – we had a balance of £4.6 million to be funded from reserves. Our grant income included an advance payment from government of £0.6 million from 2018/19, which contributes to the reduction in use of reserves in 2017/18. We also received a further £0.2 million specifically for pothole repairs following the hard winter.

Taking this into account, the council is £1.9 million better off in cash terms than we had expected. This is mainly due to increased income from Council Tax (£0.7 million above budget) following systematic pursuit of Council Tax debt and increased government grant announced at the end of the financial year. Some of the provisions held centrally were not required – in particular, the council's expenditure on equipment for the new Elgin High School (£0.3 million) was capitalised rather than funded from revenue as originally planned.



# Housing

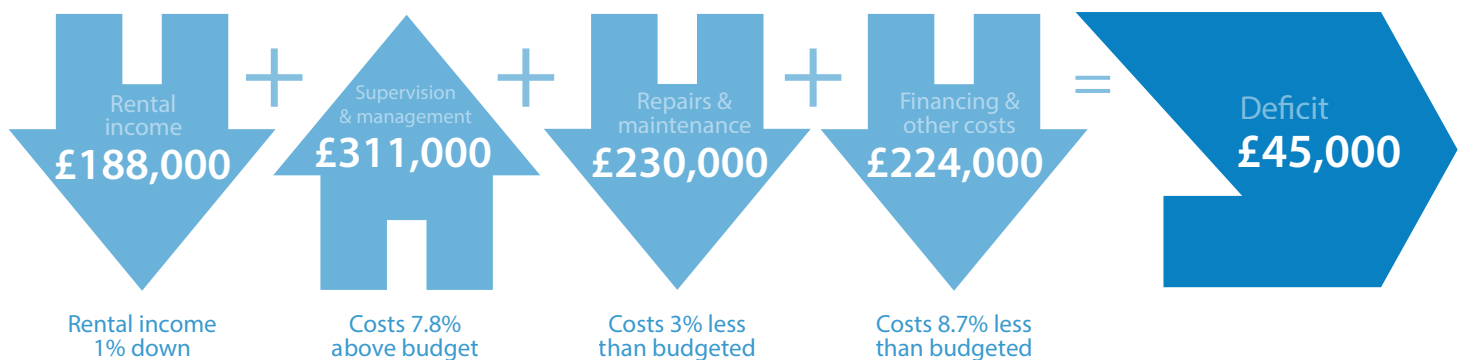
The Housing Revenue Account (HRA) budgeted to break even in 2017/8, with £18.3 million expenditure funded from rental income of £18.0 million and other income totalling £0.3 million.

The actual out-turn is a deficit of £45,000, which is funded from a brought-forward balance of £1.2 million.

The housing account is held separately from the council's main accounts, and is funded by rents from the council's housing stock. This income is invested in building new homes and improving the existing ones, supported where possible by government grant aid. We planned to spend £9.3 million building new council houses, and £4.2 million improving our current stock. We actually spent £6.8 million on new houses, £3.6 million on improvements.



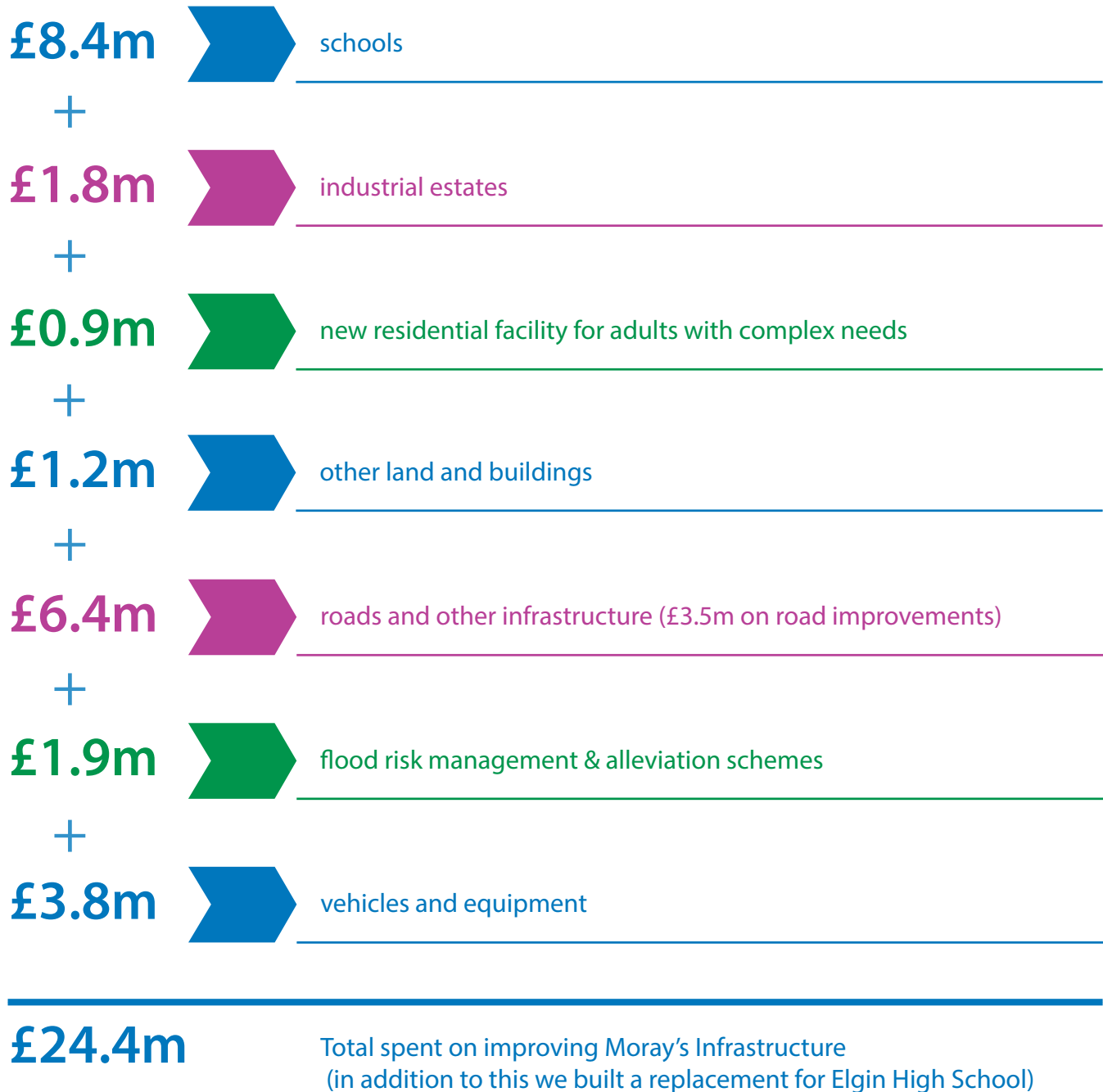
The variances in specific areas of spending & income led to a £45,000 deficit in the HRA.



# Capital Programme

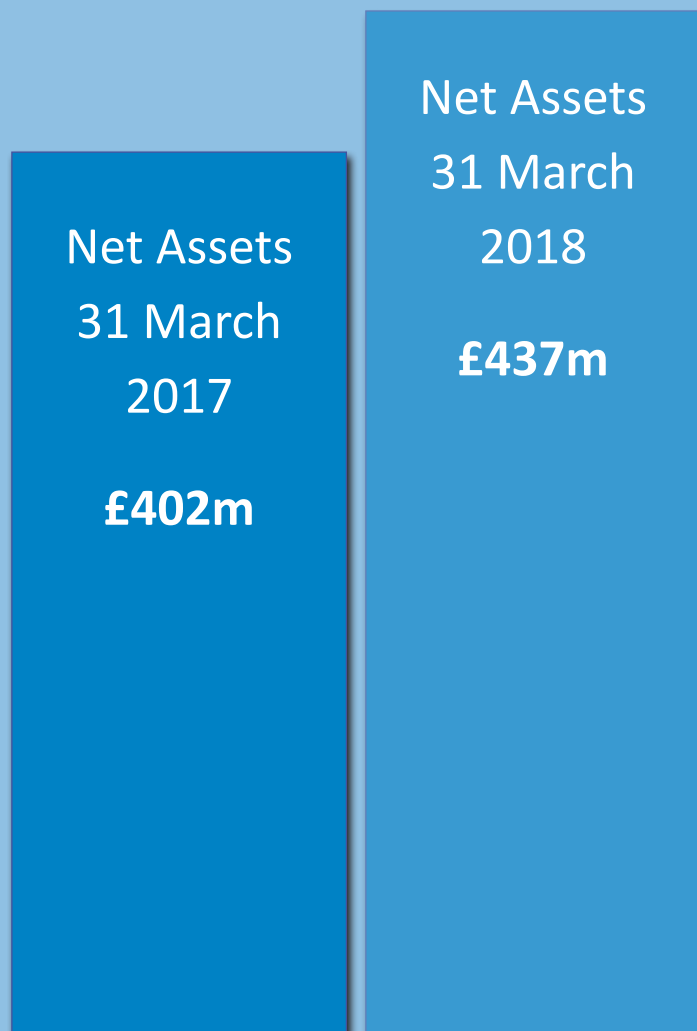
Budgeted spend on capital project: £26.8 million (£13.8 million land and buildings, £8.2 million on roads and other infrastructure, £4.8 million on vehicles and equipment)

Actual spent £24.4 million (£10.8 million was funded by grants, mainly from Scottish Government) is made up from:



# Balance Sheet

The balance sheet records the council's asset and liabilities such as properties, machinery and vehicles, and is a snapshot of the council's financial position at the 31 March 2018.



The increase of £35 million is due in part to an increase of £19 million in property, plant and equipment. The council's portfolio of property, plant and equipment was increased by £61 million, of which the single most significant addition was Elgin High School. Assets with a valuation of £14 million were disposed of during the year. Revaluations resulted in a reduction in book value of £6 million and accumulated depreciation increased by £23 million. The council's long-term liabilities reduced from £354 million at 31 March 2017 to £326 million at 31 March 2018. A decrease in the council's share of pension liabilities of £53 million was partly countered by an increase in long term liabilities of £24 million. This relates to the council's obligations to pay for Elgin High school under the model of financing agreed with Scottish Government.

# Future risks

- The most significant risk arises from the council's financial position. There is an underlying overspend of around £5 million against an increasing demand for services, along with future funding from Scottish Government not anticipated to keep pace with inflation. Savings of £20 million are projected to be required over the next 2 years to balance the budget.
- Pending pay awards; NHS have been promised an immediate 3% by the First Minister, teaching unions are seeking a 10% increase, and other public sector unions may seek parity. The council could face funding a nationally agreed increase of between 2.5-3%.
- The school estate requires significant investment to bring facilities up to the government's recommended 'B-B' standard.
- The council is still experiencing difficulty recruiting sufficient teachers for the school estate.
- The council awaits the result of its Growth Deal bid. If successful this will require a degree of match-funding from reserves or borrowing.

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Councillor Graham Leadbitter  
Leader of Moray Council

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Roderick D Burns  
Chief Executive

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Lorraine Paisey  
Head of Financial Services

28 June 2018



## **Statement of Responsibilities for the Annual Accounts**

### **The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Financial Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Unaudited Annual Accounts were approved by the Council at its meeting on 28 June 2018.

Signed on behalf of the Moray Council:

**Councillor Graham Leadbitter**  
**Leader of the Council**

**28 June 2018**

### **The Head of Financial Services' Responsibilities**

The Head of Financial Services is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Accounting Code).

In preparing the Annual Accounts, the Head of Financial Services has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with legislation.
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Head of Financial Services has also:

- kept adequate accounting records, which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Council at the reporting date and the transactions of the Council for the year ended 31 March 2018.

**Lorraine Paisey CA**  
**Head of Financial Services**

**28 June 2018**



## **Annual Governance Statement - 2017/18**

### **Scope of responsibility**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

An updated 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government' together with associated guidance for Scottish Local Authorities was published in 2016. The Framework's overall aim is 'to ensure that resources are directed in accordance with agreed policy and according to priorities; that there is sound and inclusive decision making; and that there is clear accountability for the use of these resources in order to achieve the desired outcomes for service users and communities'.

This annual governance statement explains how the Council has complied with the terms of the 2016 Code.

### **The governance framework**

The key elements of the Council's governance arrangements are described in terms of the seven principles of good governance defined in the Framework, summarised as follows:

#### **Governance Principle 1 – behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the council's business are defined in constitutional documents. These comprise standing orders, a scheme of administration, scheme of delegation, and financial regulations. These are subject to annual review and approval, most recently at a special meeting of the Moray Council in February 2018.

Codes of Conduct are in place for elected members and senior officers, which require them to exercise leadership through exemplary standards of behaviour, and ensure established values are replicated effectively throughout the organisation. A six monthly update session on the elected members' code is provided by the Monitoring Officer. Registers of Interests for elected members are prepared under statutory provision to disclose any potential areas where conflicts of interest might arise, and during the year a similar voluntary arrangement has been introduced for senior managers.

The council's Monitoring Officer has a statutory responsibility to ensure established procedures are followed and that all legislative and other regulatory processes are complied with. A report on the activities of the monitoring officer is presented annually to the Policy & Resources Committee. There were no conduct issues raised during the year.

Workforce culture and employee engagement continue to be a focus for the council. After a number of years in development, a robust framework of activity, policies and guidance is now in place covering specific actions aimed at generating positive changes in behaviours. Improvement actions in place include staff conferences, workplace visits by senior management and a monthly staff magazine. These together have enhanced staff involvement and engagement. The work of the workforce culture working group continues.

Separately an Integrity Group supported by Police Scotland meets twice yearly with a remit to review and consider the adequacy of systems and processes that link to conduct and behaviours. Issues covered during the year included security of physical assets, code of conduct developments, fraud prevention, staff recruitment protocols, and licensing.

## **Annual Governance Statement - 2017/2018 (continued)**

### **Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.**

The council's decision-making processes are well established with major decisions being taken by council or one of a number of service committees. Rules and procedures govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process. The presumption is for openness or where this is not the case, a justification of the reasoning for keeping a decision confidential is provided.

Community consultation on a range of issues was carried out with citizens, service users and staff, covering topics including Housing, Planning, Social Care and Car Parking. Again this year, the most significant consultation related to the council's financial position. This consultation included an on-line interactive survey and extensive use of social media to garner as wide a range of views as possible from the public and interest groups prior to the setting of the budget for the 2018/19 year.

This period also saw increased use of the Moray Connected project, which is focused on the development of digital services and improving customer accessibility to an increasingly wide range of council services.

Protocols are in place to meet requests made under the Freedom of Information Act and to publicise the nature of those requests. A total of 341 requests were received and processed during the year, with all but three of these responded to within the target response time of 20 working days.

### **Governance Principle 3 – defining outcomes in terms of sustainable economic, social and environmental benefits.**

The creation and implementation of a vision for the local area, including expected outcomes for the community, is encompassed in the 'Moray 2027, Local Outcomes Improvement Plan'. The overarching aim and purpose of this 10 year plan is 'to raise aspirations by creating an enabling environment where our residents can achieve expanded choices, improved livelihoods and wellbeing'.

This plan was developed during the year in conjunction with Community Planning partners and includes a number of key priorities covering the need for a growing diverse and sustainable economy, building a better future for our children and young people in Moray, empowering and connecting communities, and changing our relationship with alcohol. Each priority has been developed based on current experiences and evidence drawn from the partner agencies. The plan contains an action plan of first steps towards delivery of the stated objectives for completion by the end of 2018.

The council's own corporate planning processes were updated in tandem, with the first iteration of the Corporate Plan for the period 2018-2023 considered and approved by Council in February 2018. The plan outlines the council's vision and values and describes the priorities in Education, Health and Social Care and for the economy to be taken forward, while acknowledging the need to ensure that services are sustainable and targeted to areas where they will have greatest impact. The plan recognises that transformation of services will be essential given the council's financial position and a programme of modernisation and improvement works is being developed in early 2018.

### **Governance Principle 4 – determining the interventions necessary to optimise the achievement of intended outcomes.**

The council recognises the financial challenges it faces and through its established committee structures and other briefings from CMT/SMT has furnished elected members with an extensive volume of information on both the availability of resources and options for future service delivery. Recurring themes in this process are the recognition that change is inevitable, that new ways of working will be required, and that some services will need to be down scaled or discontinued. A Corporate Plan Steering Group has been established to consider budget options.

Clear information has been made available to the council around financial planning including asset management and for each priority identified in the Corporate Plan there are clear statements of intent in terms of how services need to evolve and a summary of outcomes the council wishes to secure. All reports placed before council committees contain a summary of implications section to link individual proposals to overarching strategic plans, and ensures matters relative to good governance including risks, legality and equalities are given due consideration as part of decision making processes.

A consistent theme around proposals for policy development is the recognition that the council and its partners will continue to promote preventative policies, leading to reduced interventions by partners, and enhanced community engagement and involvement.

## **Annual Governance Statement - 2017/2018 (continued)**

### **Governance Principle 5 - developing the entity's capacity, including the capability of its leadership and the individuals within it.**

This element of governance is designed to ensure that both elected members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively.

Following council elections in May 2017, an extensive programme of induction was provided to new and returning councillors to help them settle into the role and get a fuller understanding of the challenges facing the council. An initial programme of induction training was supplemented by further specific training on various elements of council business, targeted briefing sessions on specific topics and development sessions with the corporate management team specifically designed to help Elected Members develop and refine their judgement, prioritisation and decision making skills. An Elected Member learning and development approach is being finalised that will incorporate group, individual and special interest development activity as they move into the second year of office.

For employees, access to training is available in various forms, through professional bodies to which employees belong, and through specialist training teams located within services. Whilst budgetary constraints continue to limit external training opportunities, the Corporate Services Employee Development Team provides a programme of training opportunities including an online modular training facility which staff can access. The council also promotes an 'Employee Review and Development' process to ensure as far as practicable that development and support needs of individual staff members can be addressed.

Leadership capacity of senior officers continues to be strengthened through promotion of a Leadership Forum which brings together senior managers from all council services to bring a wider perspective to the consideration of issues facing the council going forward.

### **Governance Principle 6 – managing risks and performance through robust internal control and strong public financial management.**

The Council itself, and through its scheme of administration, has arrangements in place covering risk, performance management, internal control and financial management. Aside from issues not delegated by the Council, including annual budget setting and consideration of the annual accounts, the oversight of risk and financial monitoring is primarily with Policy and Resources Committee.

The council has a risk management policy and strategy designed to support the identification, evaluation and mitigation of risks which may impact on its ability to meet its objectives. The format of the Corporate Risk Register has been revised during the year and provides summary information on what the Corporate Management Team and Senior Management Team considers are the principal risks facing the Council and how these are managed and controlled. Risk implications also feature in committee reports to inform decision making where decisions are required.

The council system of internal control is based on a framework of financial regulations, regular management information, administrative procedures, management supervision and a scheme of delegation and accountability. Establishing and maintaining an effective system of internal control is a management function. An Audit and Scrutiny Committee, through its consideration of reports by internal and external auditors, monitors the effectiveness of internal control procedures.

The council has a policy to combat fraud, theft, bribery and corruption as an integral part of protecting public finances. It also participates in the National Fraud Initiative, a data matching programme involving other public bodies, to provide assurances on the robustness of information held by the council as well as highlighting data anomalies that require to be addressed. The security of personal data held for this and other purposes is recognised as of key importance and an Information Assurance Group has been established to promote best practice in this area, with an emphasis later in the year given to preparing for the coming into force of the General Data Protection Regulations in late May 2018.

A performance management system is in place which calls for reporting of established performance measures to service committees at quarterly intervals throughout the year. An annual Public Performance Report is also published.

Strong financial management procedures are secured through the work of the Chief Financial Officer appointed in terms of s. 95 of the Local Government (Scotland) Act 1973. This officer provides advice to the council on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

## **Annual Governance Statement - 2017/2018 (continued)**

### **Governance Principle 7 – implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

Council business is conducted through an established cycle of committee meetings held in public (unless exempt under statutory provision) and available on the internet by webcast. Meeting dates are published in advance and agenda papers are made available at least one week prior to meetings being held. Committee reports follow a corporate style and include: the purpose of the report, information relevant to the matter under consideration, a conclusion and recommendations proposed. Minutes of meetings are prepared and important decisions are publicised on the council website and through social media.

Information is disseminated in many forms targeted at different audiences for different purposes ranging from statutory returns that follow prescribed layouts, through newsletters which target specific groups of service users, to consultation documents which contain basic information designed to elicit initial interest in particular services. During the year the council issued a style guide to provide some consistency in the production of written materials. Guidance on customer focus has been developed which sets standards to be followed when engaging with citizens.

Assurance and accountability oversight is a key role for the Audit and Scrutiny Committee which is chaired by a member of the political opposition. The committee receives reports on the work of the internal auditor and the external auditor placing particular focus on recommendations arising from audit work and on the corrective actions proposed by service management. The committee also scrutinises items 'called in' for scrutiny purposes, holding service managers to account in the process.

### **Review of effectiveness of governance arrangements**

Both councillors and senior officers recognise the contribution effective governance makes to the stewardship of council resources and on an ongoing basis endeavour to ensure that governance arrangements in place are fit for purpose. The review of effectiveness of the governance framework including the system of internal control is pursued throughout the year by various means involving:

- **Community Planning Partners, the Council and its committees**

In practice, governance arrangements are monitored throughout the year in various ways: by the Council, through the service committee processes, by the Community Planning Board for multi-agency issues, and by the Audit and Scrutiny Committee. The Council is also represented on the Moray Integration Joint Board and on the Grampian Joint Valuation Board, which as separate entities have established their own governance arrangements. In addition, specific multi-agency governance arrangements have been established to oversee improvement activity following a joint inspection of Children's Services.

- **The Corporate Management Team**

The Corporate Management Team (CMT), which has overall responsibility for good governance arrangements, comprises the Chief Executive, and three Corporate Directors with portfolio responsibilities for Corporate Services, Economic Development Planning and Infrastructure, and Education and Social Care. The Chief Officer (Health and Social Care Integration) is also a member of the CMT. The team has seen a number of changes during the year with the director roles for the Corporate Services and Education and Social Care vacant and filled on an acting basis. This interim arrangement continues pending a review of management structures, and consequently there has been increased working with Heads of Service in the Senior Management Team.

- **The Corporate Management Team / Senior Management Team**

This is an extended management team comprising the CMT and 10 Heads of Service. The role and remit of this group is to support the formulation and implementation of policies, strategies and plans to achieve local and national outcomes, share and promote good practice from an inter-service perspective, to act with the wider objectives of the council in mind to ensure the resources are effectively deployed, and assist CMT in keeping under review the governance of the Council.

- **The Head of Legal and Democratic Services / Head of Financial Services**

The Head of Legal and Democratic Services and the Head of Financial Services perform their relevant statutory duties as outlined elsewhere in this statement. Whilst neither officer is a formal member of the corporate management team both are actively involved in, and are able to influence, decision making processes. In discharging the responsibilities of the role the Head of Financial Services complies with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer.

## Annual Governance Statement - 2017/2018 (continued)

### • The Chief Social Work Officer

The Head of Integrated Children's Services, in her statutory capacity as Chief Social Work Officer (CSWO), reports annually on the major policy and service initiatives within Social Work. The latest report, covering the 2016/17 year, concluded that 'Moray's Social Work Service has continued to adapt and improve, .....having prioritised resources to meet the growing demands associated with protecting and caring for the most vulnerable members of our community.'

A section of the report describes complex governance and accountability arrangements that required the Head of Integrated Children's Services in her role as CSWO to:

- Report directly to the Corporate Director (Education and Social Care) to ensure that he is appropriately advised on Social Work issues;
- Report to Moray Council's Corporate Management Team on areas that directly relate to social work services, including highlighting areas of potential risk;
- Meet regularly with elected members (including chairs/vice chairs, group leaders and leading briefings on critical developments) to ensure that they are appropriately advised on Social Work matters;
- Provide regular reports on Social Work practice and performance to appropriate committees;
- Contribute to the Integration Joint Board, the Community Planning Partnership, and the Public Protection Partnership; and Moray Chief Officer's Group;
- Meet regularly with the Head of Community Care and the Chief Officer for Moray Health and Social Care Integration.

### • Internal Audit

Internal Auditing is defined in the Public Sector Internal Audit Standards (PSIAS) as an independent, objective, assurance and consultancy activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Its mission, therefore, is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

The Internal Audit Manager is accountable on a day-to-day basis to the Corporate Director (Corporate Services) and to the Audit and Scrutiny Committee. The internal audit plan for the year included a range of audit projects covering main financial systems, other systems operating within services and a number of ad-hoc/unplanned projects. The outcomes from these projects together with any recommendations to enhance the control arrangements in place are reported to an Audit and Scrutiny Committee. This Committee is chaired by an opposition councillor.

During the year the service conducted a self-assessment of its compliance with the PSIAS ahead of an external inspection scheduled for June 2018. The review identified a number of areas for improvement and an action plan has been developed. The Audit and Scrutiny Committee in considering the audit needs identified by the Internal Audit Manager agreed to an increase to the audit staff resource. This increase took effect later than planned in March 2018, resulting in some slippage in the planned audit coverage which was carried into the 2018/19 year. Based on the audit work completed, it is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Council's internal financial control systems in place for the year ended 31 March 2018.

### • External Agencies

In addition to the various internal review processes and the financial audit referred to above, aspects of the Council's governance arrangements are considered in various inspection reports produced by the external auditor and by service inspectorates.

The main local government audit and inspection agencies also come together as a Local Area Network and their consideration of governance practices as a contribution to securing best value informs an Assurance and Improvement Planning process. The Council responds positively to the recommendations arising from the inspection reports where these provide opportunities to strengthen governance arrangements.

One such report received in year was a follow-up report on the joint inspection of services for children and young people in Moray prepared by the Care Inspectorate, in which the inspectors reported that they were confident that partners had taken the findings of an earlier inspection very seriously, and had been working hard to deliver change and improvement, while noting the limited number of officers and the many competing demands on their time.

## Annual Governance Statement - 2017/2018 (continued)

The combined contributions of elected members, statutory and senior officers, and of audit and inspection agencies as described above are considered to provide reasonable assurances that the governance arrangements in place have been commensurate with the needs of the council. However, it is recognised that these arrangements may need to be further reviewed and revised given the uncertainties around the political leadership of the council evident at the time of drafting this statement.

### Significant governance issues

Securing good governance has been and remains of prime importance to elected members and senior officers of the Council; a considerable task at a time when budgets are reducing, services are being redesigned, management structures are changing, and a range of national and local priorities require to be addressed. These challenges remain.

Key governance challenges going forward will involve:

- Continuing to work closely with community planning partners to deliver the objectives of the 'Moray 2027 local outcomes improvement plan';
- Making progress toward finalising and delivering on the key priorities in the Corporate Plan for 2018-23 recognising continuing uncertainty around annual financial settlements and the need to secure the financial sustainability of the council;
- Ensuring engagement with communities, citizens, service users and other stakeholders places due emphasis on the requirement for the council to set a sustainable budget in future years and that a likely consequence of this will be reductions to current service delivery arrangements.
- Progressing with the implementation of actions in the improvement plan prepared following the joint inspection of children's services in Moray;
- Continuing to work with the Moray Integration Joint Board to support integration of Health and Social Care, particularly in respect of financial planning arrangements and management of the associated risks.

### Concluding Remarks

In our respective roles as Leader of the Council and Chief Executive, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises the Council's current governance arrangements, and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose.

While the financial sustainability of the council going forward remains our over-arching concern, we will continue to engage with our partners and the wider community to agree plans and outcome targets that are both sustainable and achievable. Taking those forward will be challenging as we look to reconfigure services to optimal effect. Good governance will remain essential in delivering services in a way that both meets the needs of communities and discharges statutory best value responsibilities.

.....  
Councillor Graham Leadbitter  
Leader of the Council

.....  
Roderick D Burns  
Chief Executive

28 June 2018



## Remuneration Report

### Introduction

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI No. 1985/267) and require Local Authorities in Scotland to prepare a Remuneration Report as part of the statutory Annual Accounts.

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on page 38, will be audited by the appointed auditors, Audit Scotland and the information reviewed by them to ensure it is consistent with other sections of the Annual Accounts.

### Remuneration Policy for the Leader of the Council, the Convener and Senior Councillors

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Convener are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2017. The salary for the Leader of the Council is £28,213 per annum (2016/17, £28,157) and for the Convener is £21,160 per annum (2016/17, £21,118).

In terms of the same Regulations, the Scottish Government permits Moray Council to nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Convener) whose salaries in aggregate must not exceed a specified amount, currently £171,392 (2016/17, £171,050) and whose salaries individually must be on a specified scale, currently £16,927 to £21,160 (2016/17 - £16,893 to £21,118).

In addition to the senior councillors of the Council, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as a Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the convener or vice-convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the convener or vice-convener being a member of the Local Government Pension Scheme.

The Convener of the Grampian Valuation Joint Board is a Moray Council councillor. The Council is reimbursed by the Grampian Valuation Joint Board for any additional remuneration paid to the member from being the Convener of that Board. He has received an allowance for this responsibility which has been reimbursed by the Board. The Vice Chair of the Moray Integration Joint Board is also a Moray Council councillor in accordance with the arrangements agreed by the Board in March 2015. He has received an allowance for this additional responsibility and this has been funded in full by the Moray Council.

### Remuneration Policy for Senior Officers

The salaries of Senior Officers are set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets out the salary for the Chief Executives of Scottish Local Authorities. Circular CO/149 was issued on 19 July 2017 and covers salary scales to be paid to Chief Officers for the period of 1 April 2017 to 31 March 2018. Corporate Directors receive 84% of the Chief Executive's salary. Moray Council does not pay bonuses or performance related pay.

### Remuneration of Senior Officers

The Regulations define a Senior Officer as an employee who meets one or more of the following criteria:

- i) A person who has responsibility for the management of the Local Authority to the extent that the person has the power to direct or control the major activities of the Authority, whether solely or collectively with other persons;
- ii) A person who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- iii) A person whose annual remuneration, including any annual remuneration from a Local Authority subsidiary body, is £150,000 or more.

During 2017/18, the senior employees in Moray Council were the Chief Executive, three Corporate Directors with portfolio responsibilities for Corporate Services, Education and Social Care and Economic Development, Planning and Infrastructure Services, the Head of Financial Services who is the Council's Section 95 Officer and the Head of Legal and Democratic Services who is the Council's Monitoring Officer.

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. Remuneration details are shown on Table 3 attached. The table outlines the remuneration details for Senior Officers, including prior year figures. The table shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2018. The table contains remuneration details for those persons who were Senior Officers in 2017/18. Salaries are paid monthly.

## Remuneration Report (continued)

### Remuneration of Senior Councillors

Under the Regulations, remuneration disclosures are to be made for the Leader of the Council, the Convener and any Councillor designated a Senior Councillor. In 2017/18, Moray had seven senior Councillors, (six committee chairs and the Leader of the largest opposition group) and one Regulatory Board chair; each paid a salary of £21,160 per annum (2016/17, £21,118). The Convener of the Grampian Valuation Joint Board was a Moray Council councillor in 2017/18 and received an allowance for this additional responsibility which was fully reimbursed to the authority. The Vice - Chair of the Moray Integration Joint Board was also a Moray Council councillor in 2017/18 and was entitled to receive a salary of £20,103 per annum which was fully funded by the Moray Council.

Table 1 shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2018. Following the election on 4 May 2017, the Council had no senior councillors for 19 days until 24 May 2017 when the Council's committee chairs were appointed. Councillors were paid the basic councillor salary of £16,927 (pro-rata) during this period. All salaries are paid monthly.

### Pension Entitlement

Pension benefits for Councillors and Local Government employees are provided through the Local Government Pension Scheme (LGPS) and for teachers and former teachers through the Scottish Public Pensions Agency. The pension is based on the person's pensionable service (how long he or she has been a member of the pension scheme) and his or her pay. For Councillors, the pension is based on "career average" - the aggregate of each year's pay (adjusted by inflation) is divided by the total number of years and part years they have been a member of the LGPS.

For officers, the pension is based on a career average from 1 April 2015. For service before this date, the annual pension is calculated by dividing their pay by 80 (60 for service after 31 March 2009) and multiplying this by their total membership. The normal retirement age (NRA) for service post 1 April 2015 is the same as for the state pension; the NRA for service pre 1 April 2015 is 65. Pensions payable are increased annually in line with changes in the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pension Act 1975. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

A LGPS member's contribution depends upon his or hers full time equivalent pay. The tables of rates for 2017/18 and 2016/17 are shown below. The rates and the earnings bands are the same for both years.

#### Tiered Contribution Pay Rates

Whole time pay (2016/17 in brackets)	Contribution rate 2017/18	Contribution rate 2016/17
On earnings up to and including £20,700 (£20,500)	5.50%	5.50%
On earnings above £20,700 and up to £25,300 (£20,500 - £25,000)	7.25%	7.25%
On earnings above £25,300 and up to £34,700 (£25,000 - £34,400)	8.50%	8.50%
On earnings above £34,700 and up to £46,300 (£34,400 - £45,800)	9.50%	9.50%
On earnings above £46,300 (£45,800)	12.00%	12.00%

The value of benefits in Tables 4 and 5 attached have been provided by the North East Scotland Pension Fund (NESPF) and are calculated on the basis of the age at which the person will first become entitled to a full pension on retirement without reduction on account of its payment at that date: without exercising any option to commute pension entitlement into a lump sum: and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

The pension entitlements for Senior Officers and Senior Councillors for the year to 31 March 2018 are also shown in Tables 4 and 5, together with the contribution made by the Council to each person's pension during the year. The tables contain information for those persons who were Senior Officers or Senior Councillors in 2017/18.

## **Remuneration Report (continued)**

### **Councillors' Remuneration**

The Council paid salaries, allowances and expenses to Councillors (including the Senior Councillors above) as detailed in the Table 2 attached for 2017/18. The annual return of Councillors' salaries and expenses is available to view on the Council's website at <http://moray.gov.uk>.

The annual return of Councillors' salaries and expenses is compiled under Scottish Local Authority Remuneration Committee (SLARC) guidance for public records whereas the Remuneration Report is compiled under a Scottish Statutory Instrument (SSI).

### **Remuneration of Officers receiving more than £50,000**

Table 6 details the number of employees whose remuneration was in excess of £50,000 during 2017/18 in bands of £5,000. The table includes the remuneration of the senior employees highlighted above.

### **Exit Packages of Employees**

The Council has agreed a number of exit packages as detailed on Table 7 attached. The exit packages shown are split between compulsory redundancies and other departures. The figures shown include redundancy, settlement costs for loss of employment and payments to the pension fund for early retirements agreed by Committee. The Council only agrees exit packages where they are consistent with wider workforce planning and service delivery objectives and where the savings accruing from an individual ceasing employment with the Council exceed the costs of the exit package within an acceptable period.

## Remuneration Report (continued)

**TABLE 1: Remuneration of Senior Councillors and Conveners and Vice-Conveners/Chairs of Joint Boards**

Councillor Name	Responsibility	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2017/18	Total Remuneration 2016/17
		£	£	£	£
<b>Senior Councillors</b>					
Stewart Cree	Leader of the Council until 4 May 2017	2,649	-	2,649	28,157
Allan G Wright	Convener of the Council until 4 May 2017	1,987	-	1,987	21,118
George Alexander	Chair, Communities Committee until 4 May 2017 and Leader of the Council from 24 May 2017	26,104	-	26,104	21,118
James Allan	Convener of the Council from 24 May 2017	18,088	-	18,088	-
Frank Brown	Vice-Chair of Moray Integration Joint Board from 24 May 2017	17,185	-	17,185	-
Gary Coull	Leader of the largest Opposition group until 4 May 2017	1,987	-	1,987	21,118
John Cowe	Chair, Economic Development & Infrastructure Services Committee until 4 May 2017 and from 24 May 2017	20,075	-	20,075	21,118
Gordon Cowie	Chair, Licensing Board until 4 May 2017 and from 24 May 2017	20,075	-	20,075	21,118
Lorna Creswell	Vice-Chair, Moray Integration Joint Board until 4 May 2017 and Chair, Communities Committee from 24 May 2017	20,075	-	20,075	21,118
Timothy Eagle	Chair, Children & Young People's Services Committee from 24 May 2017	18,088	-	18,088	-
Claire Feaver	Chair, Planning & Regulatory Services Committee from 24 May 2017 to 26 September 2017	7,273	-	7,273	-
Graham Leadbitter	Shared Leader of the largest Opposition group from 24 May 2017 and Convener of Grampian Valuation Joint Board from 30 June 2017 (Note 1)	17,872	-	17,872	-
Marc McRae	Chair, Planning & Regulatory Services Committee from 20 December 2017	5,973	-	5,973	-

## Remuneration Report (continued)

**TABLE 1: Remuneration of Senior Councillors and Conveners and Vice-Conveners/Chairs of Joint Boards**

Councillor Name	Responsibility	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2017/18	Total Remuneration 2016/17
		£	£	£	£
<b>Senior Councillors</b>					
Gordon McDonald	Chair, Audit & Scrutiny until 4 May 2017	1,987	-	1,987	21,118
Aaron McLean	Chair, Audit & Scrutiny from 24 May 2017	18,088	-	18,088	-
Shona Morrison	Shared Leader of the largest Opposition group from 24 May 2017 (Note 1)	16,279	-	16,279	-
Ronald H Shepherd JP	Convener of Grampian Valuation Joint Board until 4 May 2017	1,987	-	1,987	21,118
Anne Skene	Chair, Children & Young People's Services Committee until 4 May 2017	1,987	-	1,987	21,118
Chris Tuke	Chair, Planning & Regulatory Services Committee until 4 May 2017	1,987	-	1,987	21,118
Walter Wilson	Chair, Planning & Regulatory Services Committee from 27 September 2017 to 19 December 2017	4,843	-	4,843	-
<b>Total</b>		<b>224,589</b>		<b>224,589</b>	<b>239,337</b>

Note 1: It was agreed following the meeting of Moray Council on 24 May 2017 that Leadership of the largest Opposition group would be shared between Councillor Morrison and Councillor Leadbitter. The additional responsibility allowance for this post was shared equally between the two councillors from this date until 30 June when Councillor Leadbitter was appointed as Convener of the Grampian Valuation Joint Board. He was then entitled to the full additional responsibility allowance which has been reimbursed in full by the Board.

**TABLE 2: Remuneration paid to Councillors**

The Council paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year.

Type of Remuneration	2017/18	2016/17
	£	£
Salaries	481,149	481,683
Allowances	-	-
Expenses	34,081	37,664
<b>TOTAL</b>	<b>515,230</b>	<b>519,347</b>

## Remuneration Report (continued)

**TABLE 3: Remuneration of Senior Employees of the Council**

Name	Post Title	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2017/18	Total Remuneration 2016/17
		£	£	£	£
Roderick D Burns	Chief Executive	108,141	-	108,141	106,769
Laurence Findlay	Corporate Director (Education and Social Care). Note 1	90,985	-	90,985	89,837
Rhona Gunn	Corporate Director (Environmental Services)	90,783	-	90,783	89,985
Alastair McEachan	Head of Legal and Democratic Services (Monitoring Officer) Note 2	74,774	-	74,774	73,645
Lorraine Paisey	Head of Financial Services (Section 95 officer) from 3 July 2017. Note 3	55,397 (Full year equivalent £74,260)	-	55,397 (Full year equivalent £74,260)	-
Mark Palmer	Corporate Director (Corporate Services) until 31 July 2017. Note 4	35,179 (Full year equivalent £90,506)	-	35,179 (Full year equivalent £90,506)	96,638
Denise Whitworth	Acting Corporate Director (Corporate Services) from 3 July 2017. Note 4	67,635 (Full year equivalent £90,506)	-	67,635 (Full year equivalent £90,506)	-
Margaret Wilson	Head of Financial Services (Section 95 Officer) until 4 July 2017. Note 3	19,548 (Full year equivalent £74,260)	-	19,548 (Full year equivalent £74,260)	74,146
<b>TOTAL</b>		<b>542,442</b>	<b>-</b>	<b>542,442</b>	<b>531,020</b>

Note 1: Laurence Findlay has been working with the Northern Alliance as Regional Improvement Lead since January 2018. His full salary is shown above but 2 days of his salary per week has been refunded to the Council by the Northern Alliance partnership.

Note 2: Alasdair McEachan is the Council's Monitoring Officer and has the power to direct or control major activities of the authority so he is included above as a senior employee of the Council.

Note 3: Lorraine Paisey was appointed as the Council's Head of Financial Services from 3<sup>rd</sup> July 2017 following the retirement of Margaret Wilson.

Note 4: Denise Whitworth was appointed as Acting Corporate Director for Corporate Services from 3<sup>rd</sup> July 2017 following the resignation of Mark Palmer who left the organisation on 31<sup>st</sup> July 2017. Included above are payments that they received for their roles as Returning Officer and some of these costs were refunded by the Scottish Government.

## Remuneration Report (continued)

### Pension Benefits

**TABLE 4: Senior Councillors**

The pension entitlements for senior councillors for the year to 31 March 2018 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

		In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2018	For the year to 31 March 2017		As at 31 March 2018	Difference from March 2017
		£	£		£000	£000
Councillor Name	Responsibility					
Stewart Cree:	Leader of the Council until 4 May 2017	511	5,434	Pension Lump Sum	5 2	- -
Allan G Wright:	Convener of the Council until 4 May 2017	383	4,076	Pension Lump Sum	5 -	- -
George Alexander:	Chair, Communities until 4 May 2017 and Leader from 24 May 2017	5,038	4,076	Pension Lump Sum	3 -	1 -
James Allan:	Convener from 24 May 2017	3,491	-	Pension Lump Sum	2 -	- -
Gary Coull	Leader of the largest opposition group until 4 May 2017	383	4,076	Pension Lump Sum	3 1	- -
John Cowe:	Chair, Economic Development & Infrastructure until 4 May 2017 and from 24 May 2017	3,875	4,076	Pension Lump Sum	2 -	- -
Gordon Cowie:	Chair, Licensing until 4 May 2017 and from 24 May 2017	3,875	4,076	Pension Lump Sum	2 -	1 -
Lorna Creswell:	Vice-chair Moray Integration Joint Board until 4 May 2017 and Chair of Communities from 24 May 2017	3,875	4,076	Pension Lump Sum	3 -	1 -
Timothy Eagle:	Chair, Children & Young People from 24 May 2017	3,491	-	Pension Lump Sum	- -	- -
Claire Feaver:	Chair, Planning & Regulatory Services from 24 May 2017 until 26 September 2017	1,404	-	Pension Lump Sum	- -	- -

# Remuneration Report (continued)

**TABLE 4: Senior Councillors**

		In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2018	For the year to 31 March 2017		As at 31 March 2018	Difference from March 2017
		£	£		£000	£000
Councillor Name	Responsibility					
Graham Leadbitter	Shared Leader of the largest opposition group from 24 May 2017 and Convener of the Grampian Valuation Joint Board from 30 June 2017	3,449	-	Pension Lump Sum	3 1	- -
Marc McRae	Chair, Planning & Regulatory Services from 20 December 2017	1,153	-	Pension Lump Sum	- -	- -
Gordon McDonald	Chair: Audit & Scrutiny until 4 May 2017	383	4,076	Pension Lump Sum	5 2	- -
Aaron McLean	Chair: Audit & Scrutiny from 24 May 2017	3,491	-	Pension Lump Sum	2 -	- -
Shona Morrison	Shared Leader of the largest opposition group from 24 May 2017	3,142	-	Pension Lump Sum	- -	- -
Anne Skene	Chair, Children & Young People until 4 May 2017	383	4,076	Pension Lump Sum	2 -	- -
Chris Tuke	Chair, Planning & Regulatory Services until 4 May 2017	383	4,076	Pension Lump Sum	2 -	- -
Walter Wilson	Chair, Planning & Regulatory Services from 27 September 2017 to 19 December 2017	935	-	Pension Lump Sum	- -	- -
<b>TOTAL</b>		<b>39,645</b>	<b>42,118</b>		<b>45</b>	<b>3</b>

Councillor Ronald H Shepherd JP and Councillor Frank Brown are not members of the Local Government Pension Scheme.

The pension benefits shown above relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.



## Remuneration Report (continued)

**TABLE 5: Senior Employees**

The pension entitlements of Senior Employees for the year to 31 March 2018 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

		In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2018	For the year to 31 March 2017		As at 31 March 2018	Difference from March 2017
		£	£		£000	£000
Name	Post Title					
Roderick D Burns	Chief Executive	20,865	20,605	Pension Lump Sum	53 108	3 2
Laurence Findlay	Corporate Director (Education and Social Care)	17,553	17,335	Pension Lump Sum	22 38	2 -
Rhona Gunn	Corporate Director (Environmental Services)	17,517	17,362	Pension Lump Sum	25 31	2 -
Alastair McEachan	Head of Legal and Democratic Services (Monitoring Officer)	14,419	14,242	Pension Lump Sum	24 35	2 -
Lorraine Paisey	Head of Financial Services (Section from 3 July 2017)	10,692	-	Pension Lump Sum	25 43	7 11
Mark Palmer	Corporate Director (Corporate Services) until 31 July 2017	6,627	18,171	Pension Lump Sum	35 63	1 1
Denise Whitworth	Acting Corporate Director (Corporate Services) from 3 July 2017	13,054	-	Pension Lump Sum	34 61	6 9
Margaret Wilson	Head of Financial Services (Section 95 Officer) until 3 July 2017	3,770	14,301	Pension Lump Sum	40 87	- -
<b>TOTAL</b>		<b>104,497</b>	<b>102,016</b>		<b>724</b>	<b>46</b>

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS). The accrued pension benefits figures shown above relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current appointment.

## Remuneration Report (continued)

**TABLE 6: General Disclosure by Pay Band**

The following table provides details of the number of people paid by the Council whose remuneration is £50,000 or more. The table includes the remuneration of the senior employees detailed above.

Remuneration Band	Number of employees	
	2017/18	2016/17
£50,000 - £54,999	57	69
£55,000 - £59,999	35	23
£60,000 - £64,999	6	4
£65,000 - £69,999	4	1
£70,000 - £74,999	8	13
£75,000 - £79,999	3	1
£85,000 - £89,999	1	2
£90,000 - £94,999	2	-
£95,000 - £99,999	-	1
£105,000 - £109,999	1	1
Total	117	115

**TABLE 7: Exit Packages**

The following table shows the number of employees who have been awarded exit packages over the last two years. The information is in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. The costs include redundancy costs, payments to the pension fund for early retirement and settlement costs for loss of employment.

Exit Packages						
Banding	2017/18			2016/17		
	Compulsory Redundancies	Other Departures	Total Cost	Compulsory Redundancies	Other Departures	Total Cost
	Number of Employees	Number of Employees	£	Number of Employees	Number of Employees	£
£0 - £20,000	7	8	90,746	3	1	26,574
£20,001 - £40,000	-	3	83,060	-	1	30,000
£40,001 - £60,000	1	1	90,264	-	-	-
£60,001 - £80,000	-	1	63,430	-	-	-
£100,001 - £150,000	-	1	113,236	-	-	-
£150,001 - £200,000	-	1	152,852	-	-	-
Total	8	15	593,588	3	2	56,574

## **Remuneration Report (continued)**

### **Termination Benefits**

During 2017/18 the Council terminated the contracts of 23 employees. The contracts were terminated as a result of either budget savings, the redesign of Council services or Council restructuring. The cost to the Council was £0.257M comprising £0.251M of redundancy payments (£0.015M 2016/17) and £0.006M of settlement costs for loss of employment (£0.042M 2016-17).

Payments to the pension fund for early retirement are not included in the termination benefits figures above.

**Councillor Graham Leadbitter**

**Leader of the Council**

**Roderick D Burns**

**Chief Executive**

**28 June 2018**



## Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2018, of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and the Expenditure and Funding Analysis note.

2016/17			2017/18		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
116,307	(4,293)	112,014	115,647	(7,451)	108,196
18,846	(14,513)	4,333	18,972	(13,820)	5,152
49,907	(14,818)	35,089	52,001	(15,071)	36,930
6,362	(2,226)	4,136	7,143	(2,819)	4,324
31,686	(19,264)	12,422	32,654	(19,266)	13,388
2,722	(244)	2,478	2,820	(215)	2,605
1,021	(114)	907	1,390	(32)	1,358
95,466	(54,640)	40,826	96,240	(54,390)	41,850
18,225	(17,950)	275	21,179	(18,549)	2,630
<b>340,542</b>	<b>(128,062)</b>	<b>212,480</b>	<b>348,046</b>	<b>(131,613)</b>	<b>216,433</b>
		3,590			8,094
		14,868			16,476
		(204,703)			(208,015)
		<b>26,235</b>			<b>32,988</b>
		496			(805)
		58,028			(66,907)
		<b>58,524</b>			<b>(67,712)</b>
		<b>84,759</b>			<b>(34,724)</b>



## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase or Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Revenue Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2016</b>	<b>24,713</b>	<b>1,342</b>	<b>645</b>	<b>69</b>	<b>91</b>	<b>4,054</b>	<b>30,914</b>	<b>456,159</b>	<b>487,073</b>
<b>Movement in Reserves 2016/17</b>									
Total Comprehensive Expenditure and Income	(26,891)	656	-	-	-	-	(26,235)	(58,524)	(84,759)
Adjustments between accounting basis & funding basis under regulations (Note 9)	24,961	(821)	968	-	526	12	25,646	(25,646)	-
<b>Increase or Decrease in 2016/17</b>	<b>(1,930)</b>	<b>(165)</b>	<b>968</b>	<b>-</b>	<b>526</b>	<b>12</b>	<b>(589)</b>	<b>(84,170)</b>	<b>(84,759)</b>
<b>Balance at 31 March 2017</b>	<b>22,783</b>	<b>1,177</b>	<b>1,613</b>	<b>69</b>	<b>617</b>	<b>4,066</b>	<b>30,325</b>	<b>371,989</b>	<b>402,314</b>
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Revenue Statutory Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2017</b>	<b>22,783</b>	<b>1,177</b>	<b>1,613</b>	<b>69</b>	<b>617</b>	<b>4,066</b>	<b>30,325</b>	<b>371,989</b>	<b>402,314</b>
<b>Movement in Reserves 2017/18</b>									
Total Comprehensive Expenditure and Income	(31,452)	(1,536)	-	-	-	-	(32,988)	67,712	34,724
Adjustments between accounting basis & funding basis under regulations (Note 9)	27,322	1,491	(964)	-	(506)	12	27,355	(27,355)	-
<b>Increase or Decrease in 2017/18</b>	<b>(4,130)</b>	<b>(45)</b>	<b>(964)</b>	<b>-</b>	<b>(506)</b>	<b>12</b>	<b>(5,633)</b>	<b>40,357</b>	<b>34,724</b>
<b>Balance at 31 March 2018</b>	<b>18,653</b>	<b>1,132</b>	<b>649</b>	<b>69</b>	<b>111</b>	<b>4,078</b>	<b>24,692</b>	<b>412,346</b>	<b>437,038</b>





## Balance Sheet as at 31 March 2018

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services (Unusable Reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2017 £000		Notes	31 March 2018 £000
810,493	Property, Plant & Equipment	14	828,648
1,005	Heritage Assets	15	1,148
3,233	Investment Property	16	3,097
312	Intangible Assets	17	328
765	Long Term Debtors	18	683
<u>815,808</u>	<b>Long Term Assets</b>		<u>833,904</u>
-	Short Term Investments	18	11,004
698	Inventories	19	630
9,142	Short Term Debtors	20	9,068
1,880	Assets held for sale	21	1,390
644	Cash and Cash Equivalents	22	-
<u>12,364</u>	<b>Current Assets</b>		<u>22,092</u>
-	Cash and Cash Equivalents	22	(3,615)
(38,844)	Short Term Borrowing	18	(51,414)
<u>(32,968)</u>	Short Term Creditors	23	<u>(37,855)</u>
<u>(71,812)</u>	<b>Current Liabilities</b>		<u>(92,884)</u>
(560)	Provisions	24	(426)
(156,709)	Long Term Borrowing	18	(157,579)
(34,627)	Other Long Term Liabilities	18	(59,205)
<u>(162,150)</u>	Pensions Liability	37	<u>(108,864)</u>
<u>(354,046)</u>	<b>Long Term Liabilities</b>		<u>(326,074)</u>
<u><u>402,314</u></u>	<b>Net Assets</b>		<u><u>437,038</u></u>

## Balance Sheet as at 31 March 2018 (continued)

31 March 2017 £000		Notes	31 March 2018 £000
22,783	General Fund Balance	25	18,653
1,177	Housing Revenue Account	25	1,132
1,613	Capital Receipts Reserve	25	649
69	Capital Grants Unapplied	25	69
617	Capital Fund	25	111
4,066	Revenue Statutory Funds	25	4,078
<u>30,325</u>	<b>Usable Reserves</b>		<u>24,692</u>
193,994	Revaluation Reserve	26	186,326
352,802	Capital Adjustment Account	26	347,767
(7,269)	Financial Instruments Adjustment Account	26	(6,957)
(5,388)	Employee Statutory Adjustment Account	26	(5,926)
<u>(162,150)</u>	Pensions Reserve	26	<u>(108,864)</u>
371,989	<b>Unusable Reserves</b>		412,346
<u><b>402,314</b></u>	<b>Total Reserves</b>		<u><b>437,038</b></u>

The notes on pages 39 to 88 form part of the financial statements

**Lorraine Paisey CA**

**Head of Financial Services**

**28 June 2018**

The unaudited Annual Accounts were issued on 28 June 2018 by Lorraine Paisey, Head of Financial Services.

## Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on the future cash flows by providers of finance (i.e. borrowing) to the Council.

<b>2016/17</b> <b>£000</b>		<b>2017/18</b> <b>£000</b>
(26,235)	Net deficit on the provision of services	(32,988)
56,989	Adjust net deficit on the provision of services for non cash movements	61,935
<u>(15,007)</u>	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	<u>(15,492)</u>
15,747	Net cash flows from Operating Activities	13,455
(34,521)	Investing Activities (Note 28)	(26,712)
23,691	Financing Activities (Note 29)	8,998
<u>4,917</u>	Net increase or (decrease) in cash and cash equivalents	<u>(4,259)</u>
(4,273)	Cash and cash equivalents at the beginning of the financial year	644
<u>644</u>	<b>Cash and cash equivalents at the end of the financial year (Note 22)</b>	<u>(3,615)</u>



## **Notes to the Accounts**

### **Note 1 Accounting Policies**

#### **General**

The Council is required to prepare an annual "Statement of Accounts" by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires such accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a "going concern" basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

#### **Accruals of Expenditure and Income**

Income and Expenditure activities are accounted for in the year in which they take place, not simply when cash payments are made or received.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where the debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **Business Improvement District Schemes**

Business Improvement District (BID) schemes are for the benefit of a particular area that are financed in whole or in part by a BID levy paid by non-domestic rate payers in the BID area. The Council acts as agent for the BID Company and the following amounts only are recognised in the Comprehensive Income and Expenditure Statement:

- A contribution from the Council to the BID project together with BID levy collection costs which are shown as service expenditure within Development Services.
- Income from services supplied by the Council to the BID project on a paid basis, which are usually accounted for as a trading activity, unless the service is a function of the Council e.g. a planning application, in which case it is accounted for in the same way as other income for that function.

#### **Carbon Reduction Commitment Energy Efficiency Scheme**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase allowances and surrender them on the basis of emissions i.e. carbon dioxide produced as energy is used. Allowances bought prospectively are classified as current Intangible Assets and accounted for according to the Intangible Asset policy. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability is discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation. The cost to the Council is reported in the costs of the Council's services.

#### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## **Note 1 Accounting Policies (continued)**

### **Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible non-current assets attributable to the service.

### **Employee Benefits**

#### **Benefits Payable during Employment**

Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. The Council has made provision for the costs of settling claims for equal pay arising before the Council implemented its equal pay strategy. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before their normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement (CIES) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring.

#### **Post Employment Benefits**

The Council participates in two separate pension schemes; the Local Government Pension Scheme which is administered by Aberdeen City Council; and the Scottish Teachers' Superannuation Scheme which is administered by the Scottish Government. Liabilities for the teachers' scheme cannot be identified specifically to the Council, therefore the scheme is accounted for as a defined contributions scheme.

The Local Government Pension Scheme (LGPS) is accounted for as a "defined benefit" scheme in accordance with International Accounting Standard 19 (IAS19). Moray Council's share of the net pension liability in the North East Scotland Local Government Pension Scheme and a pension reserve are recognised in the Balance Sheet. The CIES recognises changes during the year in the pension liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

Liabilities are included in the Balance Sheet on an actuarial basis using the "projected credit unit method" ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about longevity, projected earnings and so on. Liabilities are discounted to their value at current prices, using a discount rate (currently 2.5%) based on an average of high quality corporate bonds. Assets are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, estimated fair value for unquoted securities and market price for property.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the North East Scotland Local Government Pension Scheme.

#### **Events after the Reporting Period**

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period; otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes.

## **Note 1 Accounting Policies (continued)**

### **Prior Period Adjustments**

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the CIES or in the notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes are made by adjusting the opening balances and comparative amounts for the prior period.

### **Fair Value Measurement**

The Council measures the carrying value of some of its non-financial assets, mostly surplus assets, at fair value at each reporting date. Fair value is broadly the amount for which an asset could be exchanged or a liability settled.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted in active markets) for identical liabilities (or assets) that the local authority can access at the measurement date.
- Level 2 inputs - inputs other than quoted process included within Level 1 that are observable for the liability (or asset) either directly or indirectly.
- Level 3 inputs - unobservable inputs for the liability (or asset).

### **Financial Assets**

The financial assets of the Council are comprised entirely of Loans and Receivables ie assets that have fixed or determinable payments but are not quoted in an active market.

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. For the Council's short-term deposits and most of its other lending, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes contractually obliged by the financial instrument and the liabilities are measured at fair value and then carried at their amortised cost. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment Income and Expenditure line in the CIES in the year of repayment of the original debt in accordance with accounting regulations. Where premiums and discounts have been charged to the CIES, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan.

### **Government Grants and Contributions**

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments and
- The grants or contributions will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants) or Taxation and Non-Specific Grant Income (for capital grants). Where capital grants are credited to the CIES, they are reversed out in the General Fund balance in the Movement in Reserves Statement.

## **Note 1 Accounting Policies (continued)**

### **Heritage Assets**

The Council holds and conserves heritage assets for future generations in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of the area of Moray.

The Council's policy (including its Common Good and Trusts) for the acquisition, presentation, management and disposal of museum and art collections is contained in the Museum's Service "Acquisition and Disposal policy" and for the Council's archives within the Local Heritage Service Collection Policy, both of which are available on the Council's website.

<http://www.moray.gov.uk/downloads/file84004.pdf>

<http://www.moray.gov.uk/downloads/file78995.pdf>

As a general policy, heritage assets are recognised on the Balance Sheet where the Council has information on the cost or value of the asset. Where information on cost or value is not available and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Balance Sheet.

The carrying amount of heritage assets are reviewed where there is evidence of impairment, eg where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. It is likely that disposals of heritage assets will be made only very occasionally. Where this does occur, the proceeds of such items are accounted for in accordance with the Council's policies relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements.

### **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that it will bring benefits to the Council for more than one financial year. Intangible assets are valued at amortised cost, i.e. cost less accumulated amortisation and impairment. The depreciable amount of an intangible asset is amortised over its useful life (assessed as between one to six years) to the relevant service lines in the CIES.

### **Interest in Companies and Other Entities**

The Council has material interests in entities that have the nature of subsidiaries and associates and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in entities are recorded as financial assets at cost less any provision for losses.

### **Inventories**

Depending on the category of inventory, the values included in the Annual Accounts are either on the basis of the average price or the costs of the last item received. Work in Progress is stated at cost or value of work done. Although the Code recommends different valuation bases for these items, the effect on final valuations is immaterial.

### **Investment Property**

Investment property is property held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or the production of goods or is held for sale.

Where properties are earning rentals as an outcome of a regeneration policy, they are accounted for as property, plant and equipment.

Investment property is measured initially at cost and thereafter at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Investment property is measured at highest and best use and the properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are recognised in the Financing and Investment Income and Expenditure line in the CIES. The same treatment applies to gains and losses on disposal.

Gains and losses on revaluation and disposal reflected in the Comprehensive Income and Expenditure Statement are not charges to the General Fund and are transferred to the Capital Adjustment Account and Capital Receipts Reserve and reported in the Movement in Reserves Statement.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line in the CIES.



## **Note 1 Accounting Policies (continued)**

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer the majority of the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

#### **The Council as Lessee**

##### *Finance Leases*

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at their fair value measured at the lease's inception. The asset recognised has a corresponding liability to pay the lessor.

##### *Operating Leases*

Rentals paid under operating leases are charged to the appropriate service account in the CIES as an expense of the services benefitting from use of the leased asset on a straight line basis over the term of the lease.

#### **The Council as Lessor**

##### *Operating Leases*

Where the Council grants an operating lease the asset is retained in the Balance Sheet.

### **Property Held for Sale**

When it becomes probable that the carrying amount of an asset (land and buildings) will be recovered through a sale rather than through its continued use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Non-current assets held for sale are not depreciated.

Vehicles, Plant, Furniture and Equipment and assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

### **Loans Fund**

A Loans Fund is maintained under powers contained in the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. All loans raised by the Council are paid into the Fund and all advances to finance capital expenditure are made from the Fund except for capital projects financed directly from Revenue Accounts. The basis of recharging for loans is by half-yearly instalments on an annuity basis.

Loans Fund interest and expenses have been charged to the CIES in accordance with the Code.

### **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the supply of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant & Equipment.

### **Recognition**

All expenditure on the acquisition, creation, enhancement or replacement of a part of an asset is capitalised providing the asset yields benefit for more than one year to the Council and the services it provides and the cost can be reliably measured.

Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount.

## **Note 1 Accounting Policies (continued)**

### **Property, Plant and Equipment (continued)**

#### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price, and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured at fair value and the difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. If the donation is conditional, until the condition is satisfied the gain is held in the Donated Assets Account.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets & assets under construction - depreciated historic cost.
- Council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- School building – current value, but because of their specialist nature are measured at depreciated replacement cost (DRC) which is used as an estimate of current value.
- Surplus assets - current value as estimated as highest and best use from an open market perspective (fair value).
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value) except for the Headquarters Campus buildings which are too large to be marketed as office accommodation and which are measured at depreciated replacement cost as an estimate of current value.

In a limited number of instances, where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost or insurance replacement cost has been used as an estimate of fair value. For non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

A 5-year rolling programme of asset revaluations commenced in 2000/2001. Property, plant and equipment is valued on the basis recommended by CIPFA and the valuation report is produced by the Council's Estates Manager who is a Member of the Royal Institute of Chartered Surveyors. The assets are valued on 1 April each year.

#### **Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### **Disposals**

When it becomes probable that the carrying amount of asset will be recovered through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Non-current assets held for sale are not depreciated. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses in the (Surplus) or Deficit on Provision of Services.

## **Note 1 Accounting Policies (continued)**

### **Property, Plant and Equipment (continued)**

#### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets except for vehicles, where the calculation is pro-rata based on the month of acquisition. In the year of disposal, no depreciation is charged. Depreciation rates are detailed in Note 14.

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

#### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

#### **Bad and Doubtful Debts**

Amounts owed to the Council have been reviewed and provision has been made for possible non-collection of bad or doubtful debts. All debts greater than 12 months old have been provided for in full. For debt aged between 6 months and 12 months old, other than those relating to Council Tax arrears and Non Domestic Rates collected on behalf of the Scottish Government, provision of 50% has been made. No provision has been made on debt less than 12 months old relating to Council Tax arrears and Non Domestic Rates collected on behalf of the Scottish Government.

#### **Contingent Assets and Liabilities**

A contingent liability or asset arises where an event has taken place that gives the Council a possible obligation or benefit whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities or assets also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow/inflow or resources will be required or the amount of the obligation/benefit cannot be measured reliably.

Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in a Note to the Accounts where they are deemed material.

#### **Public Private Partnership (PPP) and Similar Contracts Schemes**

PPP and similar contracts are agreements to receive services, where responsibility for making available the property, plant and equipment needed to provide those services passes to the PPP contractor. As the Council is deemed to control the services that are provided under its PPP scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on cost to purchase property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

## **Note 1 Accounting Policies (continued)**

### **Public Private Partnership (PPP) and Similar Contracts Schemes (continued)**

The amounts payable to the PPP contractor each year are analysed into five elements:

- fair value of services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 8.39% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement or recognised as additions to Property, Plant and Equipment when the relevant capital works are carried out.

### **Reserves**

Reserves are created by appropriating amounts from the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the CIES. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

### **Usable Reserves**

The Council has several reserve funds within this category. The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes. The Repairs and Renewal Fund provides for the upkeep of specific assets held by the Council. The Capital Fund is used to meet the costs of capital investments in assets and for the repayment of the principal element of borrowings. Capital Grants Unapplied holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. Capital Receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

### **Unusable Reserves**

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, pensions reserve and employee benefits and do not represent usable resources for the authority. These reserves are explained in Note 26 Unusable Reserves.

### **VAT**

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable. The net amount due to or from HM Revenue and Customs in respect of VAT is included as part of debtors or creditors.

## Note 2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The Code requires implementation from 1 April 2018 and there is, therefore, no impact on the 2017/18 Financial Statements.

The above amendments are not anticipated to have a material impact on the information provided in the Financial Statements. However, in the 2018/19 year the comparator for 2017/18 Comprehensive Income and Expenditure Statement and the Movements in Reserves Statement must reflect the new formats and reporting requirements.

## Note 3 Critical Judgments in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC 12 and concluded this is a service concession.
- Assets held at current value are revalued on a five year rolling basis as set out in the accounting policy for Property, Plant and Equipment. The Council asserts that the carrying amount does not differ materially from that which would be determined using current value.

## Note 4 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.906M for every year that useful lives had to be reduced.

## Note 4 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £11.472M.
Arrears	At 31 March 2018, the Council had a balance of sundry debtors for £19.0M. (before provision for impairment) A review of the most significant debts, Council tax, suggested that an impairment of 100% on debts greater than 12 months old was appropriate.	A deterioration in collection rates might require an impairment of Council tax debt which is less than 12 months old. An impairment of 1% of current year debt would amount to approximately £0.015M.

## Note 5 Material Items of Income and Expenditure

Where material items of Income and Expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. During 2017/18 the following items, which all relate to capital expenditure, are regarded as material:

Nature	£M
Continuation of the Council house new build programme (including the purchase of land). Forty seven dwellings were completed during the year. A further fifty eight dwellings were under construction at 31 March 2018.	6.814

## Note 6 Events After The Reporting Period

The unaudited Annual Accounts were issued on 28 June 2018 by Lorraine Paisey, Head of Financial Services.

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service's as reported during the year.

Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

\* A split of this balance between the General Fund and the HRA is shown on the Movement in Reserves Statement.

## Note 7 Expenditure and Funding Analysis (continued)

### Adjustments between the Funding and the Accounting Basis

2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	Note a	Note b	Note c	
	£000	£000	£000	£000
Educational and Integrated Children's Services	18,441	1,148	280	19,869
General Services Housing and Property Service	1,210	364	(1)	1,573
Direct Services	10,704	818	69	11,591
Development Services	103	208	(6)	305
Corporate Services	1,066	459	(7)	1,518
Chief Executive	35	105	6	146
Other Services	25	(976)	-	(951)
Health and Social Care	261	836	(24)	1,073
Housing Revenue Account	7,275	109	3	7,387
<b>Net Cost of Services</b>	<b>39,120</b>	<b>3,071</b>	<b>320</b>	<b>42,511</b>
<b>Other Income and Expenditure</b>	<b>(20,713)</b>	<b>3,193</b>	<b>(851)</b>	<b>(18,371)</b>
<b>Difference between the General Fund (surplus) or deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>18,407</b>	<b>6,264</b>	<b>(531)</b>	<b>24,140</b>

2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	Note a	Note b	Note c	
	£000	£000	£000	£000
Educational and Integrated Children's Services	11,915	3,161	291	15,367
General Services Housing and Property Service	1,215	959	4	2,178
Direct Services	10,559	2,109	54	12,722
Development Services	110	534	39	683
Corporate Services	1,058	1,208	81	2,347
Chief Executive	35	267	12	314
Other Services	45	(990)	-	(945)
Health and Social Care	547	2,204	45	2,796
Housing Revenue Account	9,506	285	12	9,803
<b>Net Cost of Services</b>	<b>34,990</b>	<b>9,737</b>	<b>538</b>	<b>45,265</b>
<b>Other Income and Expenditure</b>	<b>(20,513)</b>	<b>3,884</b>	<b>177</b>	<b>(16,452)</b>
<b>Difference between the General Fund (surplus) or deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>14,477</b>	<b>13,621</b>	<b>715</b>	<b>28,813</b>



## Note 7 Expenditure and Funding Analysis (continued)

### a) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line.

Adjustments to Other Income and Expenditure reflect:

**Other Operating Expenditure** - capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets and the movement on revaluation of held for sale assets.

**Financing and Investment Income and Expenditure** - the removal of statutory charges for capital financing i.e. loans pool principal charges are deducted from Other Income and Expenditure. These amounts are not chargeable under generally accepted accounting practice.

**Taxation and Non-Specific Grant Income** - capital grants adjustments whereby income is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### b) Net Change for the Pensions Adjustments

This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related income and expenditure.

For **Services** this reflects the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### c) Other Differences

This column adjusts for differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute.

For **Services** this reconciles the impact of accruals for accumulating compensated absences, e.g. holiday pay as required by IAS 19 Employee Benefits, to the salaries actually payable in the financial year in accordance with statute.

For **Financing and Investment Income and Expenditure** the entry recognises adjustments to the General Fund for the timing differences for premiums and discounts.

## Note 8 Expenditure and Income Analysed by Segment and Nature

The authority's expenditure and income is analysed as follows:

### Income and Expenditure 2016/17

	Educational & Integrated Children's Services £000	General Services Housing & Property Services £000	Direct Services £000	Development Services £000	Corporate Services £000	Chief Executive £000	Other Services £000	Health & Social Care £000	Housing Revenue Account £000	Costs not included in a Service £000	Total £000
Employee expenses	69,794	8,600	19,140	4,458	9,931	2,253	66	19,464	2,415	3,193	139,314
Other service expenses	28,072	9,036	20,064	1,801	20,689	434	930	75,741	8,535	-	165,302
Depreciation, amortisation and impairment	18,441	1,210	10,703	103	1,066	35	25	261	7,275	14	39,133
Interest Payments	-	-	-	-	-	-	-	-	-	11,830	11,830
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	3,590	3,590
<b>Total Expenditure</b>	<b>116,307</b>	<b>18,846</b>	<b>49,907</b>	<b>6,362</b>	<b>31,686</b>	<b>2,722</b>	<b>1,021</b>	<b>95,466</b>	<b>18,225</b>	<b>18,627</b>	<b>359,169</b>
Fees, charges & other service income	(2,549)	(12,978)	(14,741)	(1,653)	(18,498)	(186)	(114)	(54,375)	(17,950)	-	(123,044)
Interest and investment income	-	-	-	-	-	-	-	-	-	(169)	(169)
Income from council tax	-	-	-	-	-	-	-	-	-	(36,342)	(36,342)
Government grants and contributions	(1,744)	(1,535)	(77)	(573)	(766)	(58)	-	(265)	-	(168,361)	(173,379)
<b>Total Income</b>	<b>(4,293)</b>	<b>(14,513)</b>	<b>(14,818)</b>	<b>(2,226)</b>	<b>(19,264)</b>	<b>(244)</b>	<b>(114)</b>	<b>(54,640)</b>	<b>(17,950)</b>	<b>(204,872)</b>	<b>(332,934)</b>
<b>Net Expenditure</b>	<b>112,014</b>	<b>4,333</b>	<b>35,089</b>	<b>4,136</b>	<b>12,422</b>	<b>2,478</b>	<b>907</b>	<b>40,826</b>	<b>275</b>		
<b>(Surplus) or deficit on the provision of services</b>											<b>26,235</b>

# Income and Expenditure 2017/18

	Educational & Integrated Children's Services	General Services Housing & Property	Direct Services	Development Services	Corporate Services	Chief Executive	Other Services	Health & Social Care	Housing Revenue Account	Costs not included in a Service	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Employee expenses	74,057	9,253	20,681	4,897	11,137	2,465	390	21,076	2,682	3,884	150,522
Other service expenses	29,675	8,504	20,761	2,135	20,459	320	955	74,617	8,991	-	166,417
Depreciation, amortisation and impairment	11,915	1,215	10,559	111	1,058	35	45	547	9,506	136	35,127
Interest Payments	-	-	-	-	-	-	-	-	-	12,623	12,623
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	8,094	8,094
<b>Total Expenditure</b>	<b>115,647</b>	<b>18,972</b>	<b>52,001</b>	<b>7,143</b>	<b>32,654</b>	<b>2,820</b>	<b>1,390</b>	<b>96,240</b>	<b>21,179</b>	<b>24,737</b>	<b>372,783</b>
Fees, charges & other service income	(2,702)	(13,100)	(14,655)	(2,391)	(18,813)	(173)	(32)	(54,178)	(18,549)	-	(124,593)
Interest and investment income	-	-	-	-	-	-	-	-	-	(167)	(167)
Income from council tax	-	-	-	-	-	-	-	-	-	(39,130)	(39,130)
Government grants and contributions	(4,749)	(720)	(416)	(428)	(453)	(42)	-	(212)	-	(168,885)	(175,905)
<b>Total Income</b>	<b>(7,451)</b>	<b>(13,820)</b>	<b>(15,071)</b>	<b>(2,819)</b>	<b>(19,266)</b>	<b>(215)</b>	<b>(32)</b>	<b>(54,390)</b>	<b>(18,549)</b>	<b>(208,182)</b>	<b>(339,795)</b>
<b>Net Expenditure</b>	<b>108,196</b>	<b>5,152</b>	<b>36,930</b>	<b>4,324</b>	<b>13,388</b>	<b>2,605</b>	<b>1,358</b>	<b>41,850</b>	<b>2,630</b>		
<b>(Surplus) or deficit on the provision of services</b>											<b>32,988</b>

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2016/17

	Usable Reserves					
	General Fund £000	HRA £000	Revenue Statutory Funds £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,						
Pensions costs (transferred from the Pensions Reserve)	6,073	191	-	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(213)	(98)	-	-	-	-
Holiday pay (transferred to the Employee Statutory Adjustment Account)	317	3	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	28,697	6,178	-	-	-	-
Transfer of Interest earned on Statutory Revenue	(6)	(6)	12	-	-	-
<b>Funds from General Fund/HRA</b>						
Council tax collected transferable to the HRA under statute	-	-	-	-	-	-
<b>Total Adjustment to Revenue Resources</b>	34,868	6,268	12	-	-	-
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(929)	(2,650)	-	3,579	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(7,780)	(800)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(672)	(3,637)	-	-	-	-
Interest earned on Capital Reserves (transferred from revenue to Capital Reserves)	-	(2)	-	2	-	-
Council tax collected transferable to the HRA under statute, not used in year (transferred to Capital Fund)	(526)	-	-	-	-	526
<b>Total Adjustments between Revenue and Capital Resources</b>	(9,907)	(7,089)	-	3,581	-	526
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(2,613)	-	-
<b>Total Adjustments to Capital Resources</b>	-	-	-	(2,613)	-	-
<b>Total Adjustments</b>	24,961	(821)	12	968	-	526

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2017/18

	Usable Reserves					
	General Fund £000	HRA £000	Revenue Statutory Funds £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,						
Pensions costs (transferred from the Pensions Reserve)	13,236	385				
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(221)	(91)				
Holiday pay (transferred to the Employee Statutory Adjustment Account)	526	12				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	23,714	6,174				
Transfer of Interest earned on Statutory Revenue Funds from General Fund/HRA	(6)	(6)	12			
Council tax collected transferable to the HRA under statute	(482)	482				
<b>Total Adjustment to Revenue Resources</b>	<b>36,767</b>	<b>6,956</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(655)	(425)	-	1,080	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(8,554)	(853)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(124)	(4,800)	-	-	-	-
Interest earned on Capital Reserves (transferred from revenue to Capital Reserves)		(5)	-	5	-	
Council tax collected transferable to the HRA under statute, not used in year (transferred to Capital Fund)	(112)	618	-	-	-	(506)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(9,445)</b>	<b>(5,465)</b>	<b>-</b>	<b>1,085</b>	<b>-</b>	<b>(506)</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(2,049)	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,049)</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>27,322</b>	<b>1,491</b>	<b>12</b>	<b>(964)</b>	<b>-</b>	<b>(506)</b>

## Note 10 Transfers to/from Revenue Statutory Funds and Earmarked portions of the General Fund

This note sets out the amounts set aside from the General Fund and HRA balances in Revenue Statutory Funds to provide financing for future expenditure plans and the amounts posted back from Revenue Statutory Funds to meet General Fund and HRA expenditure in 2017/18.

### Revenue Statutory Funds

	Repairs & Renewals Fund	Insurance Fund	Total
	£000	£000	£000
Balance at 1 April 2016	2,675	1,379	4,054
Transfers In 2016/17	8	4	12
Balance at 31 March 2017	2,683	1,383	4,066
Transfers In 2017/18	8	4	12
Balance at 31 March 2018	2,691	1,387	4,078

### Earmarked portions of the General Fund

Portions of the General Fund are earmarked for specific purposes as described below. Underspends or overspends against budget for these activities are transferred in or out of the earmarked funds at the year end.

	General Services	Devolved School Management	Early Years Childcare Expansion	Pupil Equity Funding	Other Funds	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	23,832	572	-	-	186	24,590
Transfers Out 2016/17	(2,122)	-	-	-	(6)	(2,128)
Transfers In 2016/17	-	232	-	-	89	321
Balance at 31 March 2017	21,710	804	-	-	269	22,783
Transfers Out 2017/18	(4,615)	(356)	-	-	(1)	(4,972)
Transfers In 2017/18	-	-	196	569	77	842
Balance at 31 March 2018	17,095	448	196	569	345	18,653

Devolved School Management (DSM). This ring fenced balance is a consolidation of the balances held by schools that are retained for the specific purpose of investing in services delivered at each individual school. The DSM scheme enables a policy of retaining resources at each school rather than returning the balances to a corporate fund. This policy aims to encourage schools to plan financially over the medium term.

Early Years Childcare Expansion. The purpose of this fund is to ring fence funding received from the Scottish Government for the expansion of Early Learning and Childcare from 600 hours to 1,140 hours.

Pupil Equity Funding. The purpose of this fund is to ring fence funding received from the Scottish Government to provide targeted support for children and young people affected by poverty.

Other Funds. These funds are grants and contributions unspent at the reporting year end which have restrictions on their use. The majority of these funds are insurance premium discounts set aside to fund an insurance review. Other funds held include unspent monies to be used to upgrade/maintain Sanquhar Loch in Forres and a welfare fund, set up in 2016/17, to record unspent monies received from the Scottish Government to be used to provide individuals with assistance for short term need and community care.

## Note 11 Other Operating Expenditure

	2016/17 £000	2017/18 £000
Movement on revaluation of held for sale assets recognised in the Provision of Services	-	19
Losses on disposal of non-current assets	3,590	8,075
	<u>3,590</u>	<u>8,094</u>

## Note 12 Financing and Investment Income and Expenditure

	2016/17 £000	2017/18 £000
Interest payable and similar charges	11,830	12,623
Net interest on the net defined benefit liability	3,193	3,884
Interest receivable and similar income	(161)	(159)
Income & Expenditure in relation to investment properties	(8)	(8)
Movement on revaluation of Investment Property	14	136
	<u>14,868</u>	<u>16,476</u>

## Note 13 Taxation and Non-Specific Grant Income

	2016/17 £000	2017/18 £000
Council tax income	36,342	39,130
Non domestic rates	35,735	33,406
Non-ring fenced Government grants	121,198	121,067
Capital grants and contributions	11,428	14,412
	<u>204,703</u>	<u>208,015</u>

## Note 14 Property, Plant and Equipment

### Comparative Movements in 2016/17:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2016	263,321	331,329	40,342	258,169	856	2,324	14,269	910,610
Additions	4,665	17,946	6,048	13,007	-	-	7,558	49,224
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,713)	(1,607)	-	-	-	385	-	(3,935)
Revaluation increases/(decreases) recognised in the Surplus on the Provision of Services	(1,042)	(11,764)	-	-	-	18	-	(12,788)
Derecognition – disposals	-	(2,398)	(3,011)	-	-	-	(83)	(5,492)
Assets reclassified (to)/ from Held for Sale	(3,286)	(2,095)	-	-	-	232	-	(5,149)
Other movements in cost or valuation	1,721	6,949	1,405	146	-	1,403	(11,321)	303
<b>At 31 March 2017</b>	<b>262,666</b>	<b>338,360</b>	<b>44,784</b>	<b>271,322</b>	<b>856</b>	<b>4,362</b>	<b>10,423</b>	<b>932,773</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2016	6,070	34,412	26,670	34,972	309	55	-	102,488
Depreciation charge	6,107	10,712	3,560	7,388	20	44	-	27,831
Depreciation written out to the Revaluation Reserve	-	(3,419)	-	-	-	(20)	-	(3,439)
Depreciation written out to the Surplus on the Provision of Services	-	(1,534)	-	-	-	-	-	(1,534)
Derecognition – disposals	-	(174)	(2,763)	-	-	-	-	(2,937)
Assets reclassified (to)/ from Held for Sale	(75)	(50)	-	-	-	(4)	-	(129)
Other movements in depreciation and impairment	-	(7)	-	-	-	7	-	-
<b>At 31 March 2017</b>	<b>12,102</b>	<b>39,940</b>	<b>27,467</b>	<b>42,360</b>	<b>329</b>	<b>82</b>	<b>-</b>	<b>122,280</b>



## Note 14 Property, Plant and Equipment (Continued)

### Movement in 2017/18

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2017	262,666	338,360	44,784	271,322	856	4,362	10,423	932,773
Additions	6,765	32,861	3,841	8,241	-	-	9,115	60,823
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,701)	1,248	-	-	-	(202)	-	(655)
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(3,008)	(2,070)	-	-	-	(200)	-	(5,278)
Derecognition – disposals	-	(9,930)	(3,719)	-	(160)	-	(3)	(13,812)
Assets reclassified (to)/ from Held for Sale	-	(3)	-	-	-	-	-	(3)
Other movements in cost or valuation	2,721	(12,148)	55	15,176	9	951	(6,789)	(25)
<b>At 31 March 2018</b>	<b>267,443</b>	<b>348,318</b>	<b>44,961</b>	<b>294,739</b>	<b>705</b>	<b>4,911</b>	<b>12,746</b>	<b>973,823</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	12,102	39,940	27,467	42,360	329	82	-	122,280
Depreciation charge	6,291	11,715	3,774	7,899	17	56	-	29,752
Depreciation written out to the Revaluation Reserve	-	(1,382)	-	-	-	(61)	-	(1,443)
Depreciation written out to the Surplus on the Provision of Services	-	(50)	-	-	-	(32)	-	(82)
Derecognition – disposals	-	(1,640)	(3,638)	-	(54)	-	-	(5,332)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	(7,103)	-	7,039	5	59	-	-
<b>At 31 March 2018</b>	<b>18,393</b>	<b>41,480</b>	<b>27,603</b>	<b>57,298</b>	<b>297</b>	<b>104</b>	<b>-</b>	<b>145,175</b>
<b>Net Book Value</b>								
at 31 March 2017	250,564	298,420	17,317	228,962	527	4,280	10,423	810,493
at 31 March 2018	249,050	306,838	17,358	237,441	408	4,807	12,746	828,648

## Note 14 Property, Plant and Equipment (Continued)

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Council Dwellings - up to 50 years

Other Land and Buildings - Buildings up to 65 years, land is not depreciated

Vehicles, Plant, Furniture & Equipment - 3 to 12 years

Infrastructure - up to 40 years

Community Assets - up to 40 years

Surplus Assets - Buildings up to 60 years, land is not depreciated

### Capital Commitments

At 31 March 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £4.958M. Similar commitments at 31 March 2017 were £5.197M. The major commitments are:

	2017/18 £000
HRA Council House New Build projects	4,958
	<u>4,958</u>

### Effect of Changes in Estimates

The Council made no material changes to its accounting estimates for Property, Plant and Equipment.

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current or fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out by the Council's Estates Manager in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Council Dwellings are valued at current value based on existing use value-social housing (EUV-SH). Land and Buildings are valued at current value based on existing use value (EUV) for assets where there is an active market. Where there is no market based evidence of current value because of the specialist nature of the asset or the asset is rarely sold, value is based on depreciated replacement cost (DRC). Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current values. Surplus assets are valued at fair value based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	-	-	44,961	294,739	705	-	12,746	353,151
valued at current value as at:								
01 April 2018	3,003	48,787	-	-	-	1,651	-	53,441
01 April 2017	1,170	57,501	-	-	-	2,153	-	60,824
01 April 2016	263,270	38,553	-	-	-	800	-	302,623
01 April 2015	-	23,847	-	-	-	197	-	24,044
01 April 2014	-	179,630	-	-	-	110	-	179,740
Total cost or valuation	<b>267,443</b>	<b>348,318</b>	<b>44,961</b>	<b>294,739</b>	<b>705</b>	<b>4,911</b>	<b>12,746</b>	<b>973,823</b>

## Note 15 Heritage Assets

This note details the movement in Heritage Assets during 2017/18.

	Cultural	Modern Statues	Museums Collections	Total Heritage Assets
	£000	£000	£000	£000
Valuation at 1 April 2016	-	-	903	903
Additions	-	102	-	102
Revaluations	-	-	-	-
<b>At 31 March 2017</b>	<b>-</b>	<b>102</b>	<b>903</b>	<b>1,005</b>
Valuation at 1 April 2017	-	102	903	1,005
Additions	102	-	-	102
Transfers/Reclassifications	24	-	-	24
Revaluations	-	-	17	17
<b>At 31 March 2018</b>	<b>126</b>	<b>102</b>	<b>920</b>	<b>1,148</b>

The amount included above for the museums collections is based on insurance valuations.

### Additions of Heritage Assets

During the year refurbishment works were carried out on two culturally historic assets in Elgin, the Muckle Cross and the Plainstones fountain, to encourage economic development within the centre of Elgin.

The following table shows assets that may be regarded as Heritage Assets but which have not been included in the Balance Sheet as the Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. This is because of the diverse nature of assets held, the number of assets held and the lack of comparable market values. The Code therefore permits such assets to be excluded from the Balance Sheet.

Assets excluded from Heritage Assets	Estimated number of assets 31 March 2018
Archive Material	circa 1,000,000
Monuments and Fountains	11
War Memorials	45

## Note 16 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2016/17 £000	2017/18 £000
Rental income from investment property	8	8
Net gain	<u>8</u>	<u>8</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

## Note 16 Investment Property (continued)

The following table summarises the movement in the fair value of investment properties over the year:

	2016/17 £000	2017/18 £000
Balance at start of the year	3,550	3,233
Additions	-	
Net gains/(losses) from fair value adjustments	(14)	(136)
Transfers to/from Property, Plant and Equipment	<u>(303)</u>	<u>-</u>
Balance at end of the year	<u>3,233</u>	<u>3,097</u>

## Note 17 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

The intangible assets are purchased licences.

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme and has purchased allowances during 2017/18 of £0.217M (£0.241M 2016/17) which are required to be classified as intangible assets.

All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the software suites used by the Council are:

	Licences £000
Expected Useful Life	
5 - 6 years	1,088

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.042M charged to revenue in 2017/18 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading (£0.035M 2016/17).

The disposal of Carbon Reduction Allowances is recognised as the allowances are surrendered. The amounts surrendered in the year were £0.201M (£0.221M in 2016/17).

The movement on Intangible Assets during the year is as follows:-

	2016/17 £000	2017/18 £000
Balance at start of year:		
Gross carrying amount	1,281	1,301
Accumulated amortisation	(954)	(989)
Net carrying amount at start of year	<u>327</u>	<u>312</u>
Purchases	241	259
Amortisation for the period	(35)	(42)
Disposals		
Gross carrying amount	(221)	(1,072)
Accumulated amortisation	-	871
Net carrying amount at end of year	<u>312</u>	<u>328</u>
Comprising:		
Gross carrying amounts	1,301	488
Accumulated amortisation	(989)	(160)
	<u>312</u>	<u>328</u>

## Note 18 Financial Instruments

### Categories of Financial Instruments

Financial Instruments included in the Balance Sheet comprise borrowings and creditors, investments and debtors.

The Financial Instruments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long - Term		Current	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Investments				
Loans and receivables	-	-	-	11,004
Total Investments	-	-	-	11,004
Cash & Cash Equivalents				
Debtors				
Loans and receivables	765	683	-	-
Financial assets carried at contract amounts	-	-	9,142	9,068
Total Debtors	765	683	9,142	9,068
Borrowings				
Financial liabilities at amortised cost	156,709	157,579	38,844	51,414
Total Borrowings	156,709	157,579	38,844	51,414
Other Long Term Liabilities				
Other long term liabilities	2,598	2,620	-	-
Finance lease liabilities	32,029	56,585	-	-
Total Other Long Term Liabilities	34,627	59,205	-	-
Creditors				
Financial liabilities carried at contract amount (including finance lease and PPP liabilities)	-	-	32,968	37,855
Total Creditors	-	-	32,968	37,855

### Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows

	2016/17			2017/18		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest Expense	11,501	-	11,501	12,243	-	12,243
Impairment losses	-	209	209	-	276	276
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	11,501	209	11,710	12,243	276	12,519
Interest income	-	(162)	(162)	-	(159)	(159)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(162)	(162)	-	(159)	(159)
<b>Net (gain)/loss for the year</b>	11,501	47	11,548	12,243	117	12,360

## Note 18 Financial Instruments (continued)

### Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets held by the Council are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost.

In terms of the fair value measurement hierarchy the financial instruments measured at fair value are considered level two being inputs other than quoted prices included in level one that are observable for the asset or liability, either directly or indirectly.

The fair values are calculated as follows:

Financial Assets	2016/17		2017/18	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables:				
Short term debtors	9,142	9,142	9,068	9,068
Short term investments	-	-	11,004	11,004
Long term debtors	765	765	683	683
<b>Total</b>	<b>9,907</b>	<b>9,907</b>	<b>20,755</b>	<b>20,755</b>

At 31 March 2018 the Council's financial assets show the carrying value equal to fair value, the same as the previous year. This is mainly due to a large proportion of the amount being short term financial assets (£20.072M) and the remaining balance being long term loans which have market rates of return.

Financial liabilities	2016/17		2017/18	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities held at amortised cost:-				
Short term Creditors	32,968	32,968	37,855	37,855
Short Term Borrowing	38,844	38,844	51,414	51,414
Other Long Term liabilities	2,598	2,598	2,620	2,620
Long term borrowing	156,709	227,009	157,579	205,270
PPP and Finance Lease liabilities	32,029	58,415	56,585	92,287
<b>Total</b>	<b>263,148</b>	<b>359,834</b>	<b>306,053</b>	<b>389,446</b>

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans with the Public Works Loan Board (PWLb) which are not based on market terms. It also includes the Education Services Public Private Partnership 30 year finance lease for Elgin Academy and Keith Primary and 25 year lease for Elgin High School.

### Fair Value Disclosure of PWLB Loans

The fair value of PWLB loans of £193.650M measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

As the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, a supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £157.579M would be valued at £185.292M. However, if the Council sought to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would not be paid/giving a discount for the reduced interest income that would be avoided. This exit price for the PWLB loans including the penalty charge would be £217.455M.

## Note 19 Inventories

	Balance outstanding at 1 April	Purchases	Recognised as an expense in the year	Balance outstanding at 31 March
	£000	£000	£000	£000
<b>2016/17</b>				
Building Services	194	645	(675)	164
Fleet Services	231	3,147	(3,181)	197
Road Maintenance	187	427	(405)	209
Other	159	1,370	(1,401)	128
Client Services Work in Progress	1	-	(1)	-
<b>Total</b>	<b>772</b>	<b>5,589</b>	<b>(5,663)</b>	<b>698</b>

	Balance outstanding at 1 April	Purchases	Recognised as an expense in the year	Balance outstanding at 31 March
	£000	£000	£000	£000
<b>2017/18</b>				
Building Services	164	667	(643)	188
Fleet Services	197	2,978	(2,997)	178
Road Maintenance	209	551	(631)	129
Other	128	1,340	(1,333)	135
Client Services Work in Progress	-	-	-	-
<b>Total</b>	<b>698</b>	<b>5,536</b>	<b>(5,604)</b>	<b>630</b>

## Note 20 Short Term Debtors

	2016/17 £000	2017/18 £000
Central Government Bodies	3,558	3,603
Other Local Authorities	123	95
NHS Bodies	76	175
Public Corporations	4	-
Other entities and individuals	5,381	5,195
	<b>9,142</b>	<b>9,068</b>

## Note 21 Assets Held for Sale

	Current Assets 2016/17 £000	Current Assets 2017/18 £000
<b>Balance outstanding at 1 April</b>	<b>1,253</b>	<b>1,880</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	5,736	3
Revaluation gains/(losses)	-	(19)
Assets declassified as held for sale:		
Property, Plant and Equipment	(716)	-
Assets sold	(4,393)	(474)
<b>Balance outstanding at 31 March</b>	<b>1,880</b>	<b>1,390</b>

## Note 22 Cash and Cash Equivalents

Cash equivalents will include short term deposits on deposit for less than 3 months.

	2016/17 £000	2017/18 £000
Cash and Cash Equivalents as at 31 March		
Cash Held by the Council	21	19
Bank Current/ Call Accounts	623	(3,634)
Total Cash & Cash Equivalents	<u>644</u>	<u>(3,615)</u>

## Note 23 Short Term Creditors

	2016/17 £000	2017/18 £000
Central government bodies	8,108	9,653
Other local authorities	1,639	2,764
NHS bodies	232	230
Public corporations and trading funds	335	287
Other entities and individuals	22,654	24,921
Total	<u>32,968</u>	<u>37,855</u>

## Note 24 Provisions

	Equal Pay £000	Flood £000	Total £000
Balance as at 1 April 2017	156	404	560
Settlements made/provision released in 2017/18	-	(404)	(404)
Additional provision made in 2017/18	-	270	270
Balance as at 31 March 2018	<u>156</u>	<u>270</u>	<u>426</u>

The Council has recognised a provision in respect of equal pay claims from employees. The remaining claims are being managed in accordance with the strategy agreed by the Corporate Management Team.

In June 2017, the compensation claim relating to flood alleviation works, against which provision had been made in 2016/17, was agreed and the provision released.

A provision has been made in respect of a new potential claim for compensation as a result of the Elgin flood alleviation works.

The Council believes that the amounts provided represent the best estimate of the total liability.



## Note 25 Usable Reserves

The movements on the Usable Reserves are detailed in the Movement in Reserves Statement and in Notes 9 and 10. A summary of the Reserves is also shown on the Balance Sheet.

## Note 26 Unusable Reserves

2016/17 £000		2017/18 £000
193,994	Revaluation Reserve	186,326
352,802	Capital Adjustment Account	347,767
(7,269)	Financial Instruments Adjustment Account	(6,957)
(5,388)	Employee Statutory Adjustment Account	(5,926)
(162,150)	Pensions Reserve	(108,864)
<b>371,989</b>	<b>Total Reserves</b>	<b>412,346</b>

### Revaluation Reserve

The Revaluation Reserve contains gains made by the Council arising from increases in the value of its Property, Plant and Equipment, Heritage Assets and Intangible Assets. The balance is reduced when assets with accumulated gains are:-

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17 £000		2017/18 £000
202,768	Balance at 1 April	193,994
8,662	Upward revaluation of assets	5,863
(9,158)	Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(5,058)
(496)	Surplus or (deficit) on revaluation on non-current assets not posted to the Surplus on the provision of Services	805
(4,975)	Difference between fair value depreciation and historical cost depreciation	(4,909)
(3,303)	Accumulated gains on assets sold or scrapped	(3,564)
(8,278)	Amount written off to the Capital Adjustment Account	(8,473)
<b>193,994</b>	<b>Balance at 31 March</b>	<b>186,326</b>

## Note 26 Unusable Reserves (continued)

### Capital Adjustment Account

The Capital Adjustment Account absorbs the differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000		2017/18 £000
363,897	Balance at 1 April	352,802
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(27,831)	Charges for depreciation and impairment of non-current assets	(29,752)
(11,254)	Revaluation losses on Property, Plant and Equipment	(5,215)
(35)	Amortisation of Intangible Assets	(42)
(7,169)	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(9,155)
<u>(46,289)</u>		<u>(44,164)</u>
8,278	Adjusting amounts written out of the Revaluation Reserve	8,473
<u>(38,011)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(35,691)</u>
	Capital financing applied in the year:	
2,613	Use of the Capital Receipts Reserve to finance new capital expenditure	2,049
11,428	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	14,412
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
8,580	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	9,407
4,309	Capital expenditure charged against the General Fund and HRA balances	4,924
<u>26,930</u>		<u>30,792</u>
(14)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(136)
<u>352,802</u>	Balance 31 March	<u>347,767</u>

## Note 26 Unusable Reserves (continued)

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on council tax. In the Council's case this period of the unexpired term that is outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2018 will be charged to the General Fund over the next 35 years.

2016/17 £000		2017/18 £000
(7,580)	Balance at 1 April	(7,269)
310	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	309
1	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3
<u>(7,269)</u>	Balance at 31 March	<u>(6,957)</u>

### Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2016/17 £000		£000	2017/18 £000
(5,068)	Balance at 1 April		(5,388)
5,068	Settlement or cancellation of accrual made at the end of the preceding year		5,388
<u>(5,388)</u>	Amounts accrued at the end of the current year		<u>(5,926)</u>
(320)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(538)
<u>(5,388)</u>	Balance at 31 March		<u>(5,926)</u>

## Note 26 Unusable Reserves (continued)

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17		2017/18
£000		£000
(97,858)	Balance at 1 April	(162,150)
(58,028)	Remeasurements (liabilities & assets)	66,907
(19,332)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(27,139)
13,068	Employer's pensions contributions and direct payments to pensioners payable in the year	13,518
<u>(162,150)</u>	Balance at 31 March	<u>(108,864)</u>

## Note 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Interest Received	(160)	(154)
Interest Paid	11,812	12,617

## Note 28 Cash Flow Statement - Investing Activities

	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Purchase of property, plant and equipment, investments, property and intangible assets	49,643	31,847
Purchase of short-term and long-term investments	-	11,000
Other payments for investing activities	135	210
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,579)	(1,080)
Other receipts from investing activities	(11,678)	(15,265)
Net cash flows from investing activities	<u>34,521</u>	<u>26,712</u>

## Note 29 Cash Flow Statement - Financing Activities

	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Cash receipts of short-term and long-term borrowing	(35,200)	(84,500)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	677	986
Repayment of short and long-term borrowing	12,538	71,064
Other payments/(receipts) for financing activities	(1,706)	3,452
Net cash flows from financing activities	<u>(23,691)</u>	<u>(8,998)</u>

### Note 30 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and contribution towards the cost of national performance studies and statutory reports:-

	2016/17 £000	2017/18 £000
Fees payable in respect of external audit services carried out by the appointed auditor for the year.		
Audit fee	230	231
<b>Total</b>	<b>230</b>	<b>231</b>

### Note 31 Grant Income and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

	2016/17 £000	2017/18 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	121,198	121,067
National Non Domestic Rate income	35,735	33,406
Capital Grant and Contributions	11,428	14,412
<b>Total</b>	<b>168,361</b>	<b>168,885</b>
<b>Credited to services</b>		
Housing Benefits	16,818	17,009
Private Sector Housing Grant	341	-
Other Grants	5,201	24,861
<b>Contributions</b>		
Integration Joint Board	49,421	51,291
Other Contribution	616	722
NHS Grampian	442	11,667
<b>Donations</b>	29	2
<b>Total</b>	<b>72,868</b>	<b>105,552</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

The balances at the year end are as follows:

	2016/17 £000	2017/18 £000
<b>Grants received in Advance</b>		
Capital Grants	2,341	3,006
Other Grants	660	330
<b>Total</b>	<b>3,001</b>	<b>3,336</b>

## Note 32 Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have potential to control or influence the Council, or to be controlled or influenced by the Council.

Central Government has effective control over the Council. It is responsible for providing the statutory framework within which the Council operates, and provides the majority of its funding.

Central Government funding in 2017/18 was as follows:

	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Revenue Support Grant and Non Domestic Rate income	156,933	154,473
Scottish Government Grants	21,826	24,030

Government grants and contributions are included in note 31. The amounts outstanding at the year-end are included in creditors and are shown in note 23.

Members of the Council have direct control over the Council's financial and operating policies. During 2017/18 no works or services were commissioned from companies in which any member had a noted interest. Details of members expenses are included in the Remuneration Report.

NHS Grampian, funds various projects in partnership with the Council.

	<b>£000</b>	<b>£000</b>
Funding received amounted to	442	11,667

The amount receivable and included in debtors at 31 March 2018 was £0.175M (£0.076M at 31 March 2017).

Transactions with the Integration Joint Board in connection with Health & Social Care services were:

	<b>£000</b>	<b>£000</b>
Funding from the Integration Joint Board	49,421	51,291
Contribution to the Integration Joint Board	41,252	40,070

The amount payable and included in creditors at 31 March 2018 was £0.780M (£0.797M at 31 March 2017)

	<b>£000</b>	<b>£000</b>
European Union Funding received	10	-

The amount receivable and included in debtors at 31 March 2018 was £nil (£nil at 31 March 2017).

The Council co-funds services delivered by Grampian Valuation Joint Board consisting of representatives from Aberdeen City Council, Aberdeenshire Council and the Moray Council.

	<b>£000</b>	<b>£000</b>
Grampian Valuation Joint Board	645	619

The amount receivable and included in debtors at 31 March 2018 is £nil (£nil at 31 March 2017).

The Council provided material financial assistance to the following body:

	<b>£000</b>	<b>£000</b>
Moray Leisure Limited	826	727

The Council participates in the following partnerships:

The Highlands and Islands Transport Partnership - contribution	46	47
Scotland Excel - contribution	71	71
SEEMIS Group LLP - contribution	67	68
Northern Community Justice Authority - receipt	860	27

## Note 33 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Opening Capital Financing Requirement	247,491	270,128
Capital Investment:		
Property, Plant and Equipment (incl. Held for Sale)	49,224	60,823
Intangible Assets	241	259
Heritage Assets	102	102
Sources of finance:		
Capital receipts	(2,613)	(2,049)
Government grants and other contributions	(11,428)	(14,412)
Sum set aside from revenue:		
Direct revenue contributions	(4,309)	(4,924)
Loans fund principal	(8,580)	(9,407)
Closing Capital Financing Requirement	<u>270,128</u>	<u>300,520</u>
	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Explanations of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	22,051	4,197
Assets acquired under finance leases/PPP/DBFM	586	26,195
Increase in Capital Financing Requirement	<u>22,637</u>	<u>30,392</u>



## Note 34 Leases

### Council as Lessee

#### Finance Leases

The council leases office equipment under finance leases, accounted for as part of Property, Plant and Equipment.

The net carrying amount of these assets at 31 March is as follows:-

	2016/17 £000	2017/18 £000
Machinery, Plant, Vehicles & Equipment	469	352

Outstanding obligations under finance leases at 31 March 2017 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
Not later than one year	135	(23)	112
Later than one year and not later than five years	473	(42)	431
Total	608	(65)	543

Outstanding obligations under finance leases at 31 March 2018 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
Not later than one year	135	(18)	117
Later than one year and not later than five years	338	(24)	314
Total	473	(42)	431

#### Operating Leases

The Council rents land and buildings under the terms of operating leases.

The Council had a short term rental agreement for photocopiers, this expired on 31st December 2017.

The future minimum lease payments due under non-cancellable leases in future years are:-

	2016/17 £000	2017/18 £000
Not later than one year	140	109
Later than one year and not later than five years	250	258
Later than five years	1,244	1,300
	1,634	1,667

The future minimum sublease payments expected to be received by the Council are £0.118M (£0.146M in 2016/17).

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to minimum lease payments was £0.147M (£0.210M in 2016/17).

## Note 34 Leases (continued)

### Council as Lessor

#### Operating Leases

The Council leases out various properties, predominately industrial units.

The future minimum lease payments receivable under non-cancellable leases in future years are:-

	2016/17	2017/18
	£000	£000
Not later than one year	938	1,005
Later than one year and not later than five years	2,672	2,924
Later than five years	28,340	29,179
	<u>31,950</u>	<u>33,108</u>

## Note 35 Public Private Partnership and Similar Contracts

### Education Services PPP Scheme

In 2011/12, the Council entered into a 30 year PPP contract for the construction, maintenance and operation of two schools in Keith and Elgin. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract only if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

In 2017/18, the Council entered into a 25 year Design, Build, Finance and Maintain (DBFM) contract for the construction, maintenance and operation of a new school in Elgin. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract only if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

### Property, Plant and Equipment

The assets used to provide services at the three Schools are recognised on the Council's Balance Sheet and are included in the Property, Plant and Equipment assets detailed in Note 14. Details are shown below:

	2016/17	2017/18
	£000	£000
<b>Cost or valuation</b>		
At 1 April	42,874	42,875
Additions	1	26,195
Revaluations	-	2,230
At 31 March	<u>42,875</u>	<u>71,300</u>
<b>Accumulated Depreciation</b>		
At 1 April	6,089	8,132
Depreciation charge	2,043	3,089
At 31 March	<u>8,132</u>	<u>11,221</u>
<b>Net Book Value</b>	<u>34,743</u>	<u>60,079</u>

## Note 35 Public Private Partnership (continued)

### Payments

Under the contracts the Council makes agreed payments each year which are increased by inflation and can be reduced if the contractors fail to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2018 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payment for Reimbursement of Capital Services</b>	<b>Expenditure</b>	<b>Interest</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable in 2018/19	1,183	1,321	4,177	6,681
Payable within 2 to 5 years	4,734	5,863	15,740	26,337
Payable within 6 to 10 years	5,919	7,495	17,390	30,804
Payable within 11 to 15 years	5,919	10,229	14,382	30,530
Payable within 16 to 20 years	5,919	15,332	10,038	31,289
Payable within 21 to 25 years	4,859	18,275	3,608	26,742
<b>Total</b>	<b>28,533</b>	<b>58,515</b>	<b>65,335</b>	<b>152,383</b>

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractors for capital expenditure incurred is as follows:

	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Balance outstanding at start of year	32,883	32,249
Payments during the year	(634)	(852)
Capital expenditure incurred in the year	-	26,195
Balance outstanding at year-end	<u>32,249</u>	<u>57,592</u>

Capital costs of £0.923M are payable in 2018/19

## **Note 36 Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council are member of the Scottish Teachers' Superannuation Scheme administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of member's pensionable salaries.

The scheme is a defined benefit scheme and is administered by the Scottish Government through the Scottish Public Pension Agency (SPPA). As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme Actuary at a level to meet the cost of pensions as they accrue. It is not possible, however, for the Council to identify a share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of the annual accounts it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension during the year ending 31 March 2018, the Council's own contributions equate to approximately 1.40%.

In 2017/18 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £5.860M of which £0.767M was outstanding at 31 March 2018. The amount payable represents 14.9% of pensionable pay. In 2016/17 the amounts payable were £5.838M of which £0.757M was outstanding at 31 March 2017.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 37.

## **Note 37 Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two schemes, the North East Scotland Local Government Pension Scheme which is administered by Aberdeen City Council and the Teachers' Scheme which is administered by the Scottish Government through the Scottish Public Pensions Agency (SPPA). Both Schemes are defined benefit schemes. Up until 31 March 2015 pension benefits accrued are based on final salary. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. Benefits earned from 1 April 2015 are based on career average salary. The Local Government Pension Scheme administered by Aberdeen City Council is a funded defined benefit scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.

There are also arrangements in place for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

The North East Scotland Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee. The Committee is comprised of nine elected members of Aberdeen City Council. Policy is determined in accordance with the Pensions Fund Regulations. With the introduction of the Pension Board the Joint Investment Advisory Committee was disbanded.

Following the introduction of The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, the Pension Fund took the opportunity to review its governance arrangements. To comply with these regulations the Pension Fund implemented a Pension Board with representation from Unions and Employers from the 1 April 2015.

## Note 37 Defined Benefit Pension Schemes (continued)

### Participation in Pension Schemes (continued)

Principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policy note.

### Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### Transactions Relating to Post-employment Benefits

In relation to the Local Government Pension Scheme, the Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Current Service Cost	15,862	22,992	-	-
Past Service Cost	27	-	-	-
Curtailment Cost	-	5	-	-
Administration Expenses	250	258	-	-
	<u>16,139</u>	<u>23,255</u>	<u>-</u>	<u>-</u>
<b>Financing and Investment Income and Expenditure</b>				
Net Interest Expense	2,658	3,455	535	429
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<u>18,797</u>	<u>26,710</u>	<u>535</u>	<u>429</u>

## Note 37 Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets	(71,118)	(10,605)	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	126,944	(41,408)	2,327	(379)
Actuarial gains/(losses) arising from demographic changes	-	3,889	-	18
Other	-	(17,929)	(125)	(493)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>74,623</b>	<b>(39,343)</b>	<b>2,737</b>	<b>(425)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(18,797)	(26,710)	(535)	(429)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	12,065	12,523		
Retirement benefits payable to pensioners			1,003	995

### Assets and Liabilities Recognised in the Balance Sheet

The change in the net pensions' liability is analysed into the following components:

**Current Service Cost:** The increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

**Past Service Cost:** The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

**Net Interest on the Net Defined Benefit Liability:** The change during the year in the net defined benefit liability that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is the difference between the interest (increase) in the value of the liabilities as the benefits are one year closer to being paid and the interest on pension assets based on assets held at the start of the year. The calculation is based on the discount rate in force at the beginning of the year.

**Remeasurements:** This comprises the Return on Plan Assets (excluding amounts included in the Net Interest on the Net Defined Benefit Liability) and Actuarial Gains and Losses which are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

**Contributions Paid to the Pension Fund:** Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

## Note 37 Defined Benefit Pension Schemes (continued)

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit scheme is as follows:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Present value of the defined benefit obligation	(630,686)	(604,653)	(17,624)	(16,204)
Fair value of plan assets	486,160	511,993	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(144,526)</b>	<b>(92,660)</b>	<b>(17,624)</b>	<b>(16,204)</b>

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
<b>Opening balance at 1 April</b>	479,414	630,686	15,890	17,624
Current service cost	15,862	22,992	-	-
Interest cost	16,636	15,650	535	429
Contributions from scheme participants	3,756	3,903	-	-
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in financial assumptions	126,944	(41,408)	2,327	(379)
Actuarial gains/ (losses) arising from demographic changes	-	3,889	-	4
Other	-	(17,929)	(125)	(479)
Past Service cost	27	-	-	-
Gains on curtailment	-	5	-	-
Benefits paid	(11,953)	(13,135)	(1,003)	(995)
<b>Closing balance at 31 March</b>	<b>630,686</b>	<b>604,653</b>	<b>17,624</b>	<b>16,204</b>

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
<b>Opening fair value of scheme assets</b>	397,446	486,160	-	-
Interest Income	13,978	12,195	-	-
Remeasurement gains:				
The return on plan asset, excluding the amount in the net interest expense	71,118	10,605	-	-
Contributions from employer	12,065	12,523	1,003	995
Contributions from employees into the scheme	3,756	3,903	-	-
Benefits paid	(11,953)	(13,135)	(1,003)	(995)
Other - administration expenses	(250)	(258)	-	-
<b>Closing fair value of scheme assets</b>	<b>486,160</b>	<b>511,993</b>	<b>-</b>	<b>-</b>

## Note 37 Defined Benefit Pension Schemes (continued)

### Local Government Pension Scheme assets comprised:

Fair value of scheme assets

	<b>Quoted Prices in Active Markets £000</b>	<b>Prices not Quoted in Active Markets £000</b>	<b>Total £000</b>
31 March 2017			
U.K Equities	167,486	-	167,486
Overseas Equities	163,252	-	163,252
U.K Government Bonds	37,920	-	37,920
Other Government Bonds	16,043	-	16,043
Other U.K Bonds	1,458	-	1,458
Other non U.K Bonds	6,320	-	6,320
Property	-	34,031	34,031
Private Equity	-	46,525	46,525
Global Infrastructure	-	5,347	5,347
Cash Instruments	-	7,778	7,778
Total Assets	392,479	93,681	486,160
	<b>Quoted Prices in Active Markets £000</b>	<b>Prices not Quoted in Active Markets £000</b>	<b>Total £000</b>
31 March 2018			
U.K Equities	157,078	-	157,078
Overseas Equities	167,319	-	167,319
U.K Government Bonds	31,232	-	31,232
Other Government Bonds	7,680	-	7,680
Other U.K Bonds	359	-	359
Other non U.K Bonds	6,349	-	6,349
Property	-	37,222	37,222
Private Equity	-	58,674	58,674
Global Infrastructure	12,493	19,763	32,256
Cash Instruments	-	13,824	13,824
Total Assets	382,510	129,483	511,993



## Note 37 Defined Benefit Pension Schemes (continued)

### Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit method and assets are measured at their fair value. An estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels etc.

The most recent actuarial valuation was carried out as at 31 March 2014 and has been updated by Mercer Limited, independent actuaries to the North East Scotland Pension Fund, to take account of the requirements of IAS 19 in order to assess the liabilities of the Pension Funds as at 31 March 2018.

#### The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2016/17	2017/18	2016/17	2017/18
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.2	22.7	24.8	22.7
Women	24.8	24.9	24.9	24.9
Longevity at 65 for future pensioners:				
Men	24.5	25.6	-	-
Women	27.8	27.9	-	-
Rate of inflation	2.30%	2.10%	2.30%	2.10%
Rate of increase in salaries	3.80%	3.70%	-	-
Rate of increase in pensions	2.30%	2.20%	2.30%	2.30%
Rate for discounting scheme liabilities	2.50%	2.60%	2.50%	2.60%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	11,856	(11,856)
Rate of inflation (increase or decrease by 0.1%)	11,642	(11,642)
Rate of increase in salaries (increase or decrease by 0.1%)	2,092	(2,092)
Rate of increase in pensions (increase or decrease by 0.1%)	11,266	(11,266)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(11,475)	11,475

## **Note 37 Defined Benefit Pension Schemes (continued)**

### **Funding Strategy Statement**

The Funding Strategy Statement sets out how the administering authority balances the potentially conflicting aims of affordability of contributions, transparency of process, stability of employers' contributions, and prudence in the funding basis.

The Pensions Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2017 and the results indicate that overall the assets represented 107% of projected accrued liabilities at the valuation date compared to a funding level of 94% as at 31 March 2014. The improved funding position is mainly due to high levels of investment returns over the two years prior to the valuation date.

Investments that would most closely match the pension liabilities would be gilts, predominately index-linked, reflecting the nature of the Fund's liabilities. The Fund, however, invests in other assets in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment return is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment return from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets.

The asset proportions of the Fund at 31 March 2018, with March 2017 in brackets were: equities, including alternatives 81.12% (78.7%), bonds 8.91% (12.7%), property 7.27% (7.0%) and cash 2.7% (1.6%). Given the current positive funding position of the Fund, a new investment strategy has been approved by the Pensions Committee from 1 April 2018 to reduce reliance on the volatile global equities market and increase allocation to both bonds and other protection and income asset classes.

### **Impact on the Council's Cash Flows**

While the Funds main objective is to ensure solvency of the NESPF they also aim to keep employers' contributions at as constant a rate as possible. Following the 2017 valuation the Pensions Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average surplus spread period of 24 years and have maintained an employer contribution rate requirement of 19.3% for local authorities across the scheme. During the valuation process employer rates are set for a period of three years with the next triennial valuation due as at 31 March 2020 to determine a funding level and set the rates for 2021/22 onwards.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2018 is £12.724M. Expected contributions for the Discretionary Benefits in the year to 31 March 2018 is £0.995M

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2018 valuation is 19 years.

## **Note 38 Contingent Liabilities**

On 30 March 2016 the Council decided to remove the Western Link Road (WLR) from the capital plan. Due to the cancellation of this project the Council will be unable to comply with the terms of the purchase agreement with Grampian Housing Association (GHA) to buy land at Bilbohall South in Elgin. As a result the Council may have to re purchase this site which presents a potential financial risk to the Housing Revenue Account.

Both the Council and GHA agreed to alter the missives to extend the buy-back period until 31 March 2018. In agreeing to the extension to the buy-back period both parties sought consent of the Scottish Government, which has assumed administration responsibility for the grant given to GHA to purchase the site.

At this time, all parties are working to resolve this issue to allow the build of affordable houses to proceed on this site.

## Note 39 Nature and Extent of Risks Arising From Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The procedures for risk management are set out through a legal framework based on the Local Government (Scotland) Act 2003 and associated regulations, which were both revised in December 2017. These require the Council to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management and Investment Regulations. The Council's management of treasury risks are structured to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services by:

- formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- the adoption of a Treasury Management Strategy Statement and incorporating this into the Council's Financial Regulations;
- approving annually in advance the Council's prudential and treasury indicators and reporting on performance;
- approving an Investment Strategy for the forthcoming year.

### Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks, building societies and Money Market Funds whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The credit criteria in respect of financial assets held by the Council at 31 March 2018 are detailed below.

Financial asset category	Criteria
Banks	Long-Term BBB+
Building Societies	Long-Term BBB+
Money Market Funds	Long-Term AAmmf (Fitch) or equivalent

The maximum investment with the Council's own bankers (Bank of Scotland) is £10 million and other organisations meeting the above criteria is £5 million.

In addition to the above, the Council can also invest in Local Authorities and the Debt Management Office. A limit of £5M is set for any Local Authority and there is no limit for the Debt Management Office as it is part of HM Treasury which has the UK Government's AA+ rating.

## Note 39 Nature and Extent of Risks Arising From Financial Instruments (continued)

### Credit Risk Continued

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year. The Council does not expect any losses from non- performance by any of its counterparties in relation to deposits and bonds.

	Estimated maximum exposure to default and uncollectability 2017 £000	Amounts at 31 March 2018 £000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2018 %	Estimated maximum exposure to default and uncollectability 2018 £000
Customers	788	2,764	30.36	30.36	839
<b>Total</b>	<b>788</b>	<b>2,764</b>			<b>839</b>

### Debtors

The Council does not generally allow credit for customers. As a result, £2.724M of the £2.764M balance is past its due date for payment (2016/17 £2.572M). The past due, but not impaired amount can be analysed by age as follows:

	2016/17 £000	2017/18 £000
Less than six months	1,332	1,487
Six months to one year	413	264
More than one year	827	973
<b>Total</b>	<b>2,572</b>	<b>2,724</b>

The impairments made analysed by age are as follows:

	2016/17 £000	2017/18 £000
Less than six months	-	-
Six months to one year	207	132
More than one year	827	973
<b>Total</b>	<b>1,034</b>	<b>1,105</b>

### Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loan Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Although the Council has 23.10% of its current debt maturing within the period 2051/52 to 2055/56, it is continually reviewing its borrowing position to minimise the financial impact of debt maturing at any one time in the future and possibly exposing the Council to unfavourable interest rates. With the assistance of its treasury advisers, the Council manages this risk through prudent planning of new loans taken out where economic to do so.

## Note 39 Nature and Extent of Risks Arising From Financial Instruments (continued)

### Liquidity Risk (continued)

The maturity structure of financial liabilities is as follows (at nominal value):

	2016/17 £000	Average Rate	2017/18 £000	Average Rate
Repayment less than 1 year	38,566	2.11%	51,128	3.09%
Repayment between 1 and 2 years	3,566	2.11%	3,879	3.09%
Repayment between 2 and 5 years	14,120	3.61%	16,495	3.09%
Repayment between 5 and 10 years	15,279	3.85%	15,526	3.97%
Repayment between 10 and 15 years	12,222	6.93%	12,049	7.18%
Repayment in more than 15 years	111,016	5.54%	109,126	5.54%
	<u>194,769</u>		<u>208,203</u>	

The above figures are the contractual maturity amounts of the loans.

All creditors are due to be paid in less than one year.

### Market Risk

#### Interest Rate Risk

The Council is exposed to interest rate risk in two different ways: the first being the uncertainty of interest paid/received on variable rate instruments and the second being the effect of fluctuations in interest rates of the fair value of an instrument.

The current interest rate risk for the Council is summarised below:

Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.

The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost but will impact on the disclosure note for fair value

The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance sheet for the majority of liabilities held at amortised cost but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk:

- It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 25% of total borrowing.
- During periods of falling rates and where it is economically advantageous, the Council will consider the repayment or restructuring of fixed interest rate loans
- The Council monitors interest rates daily to assist in decisions for lending of surplus cash and new borrowings.

The Council has a strategy for assessing interest rate exposure. The analysis will advise whether new borrowing taken out is fixed or variable. During 2017/18 the Council did take out several variable rate temporary borrowing loans.

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2016/17 £000	2017/18 £000
Increase in interest payable on variable rate borrowing	122	125
<b>Impact on Comprehensive Income and Expenditure Account</b>	<u>122</u>	<u>125</u>

The impact of a 1% fall in interest rate would be as above but with the movements being reversed.

## **Note 39 Nature and Extent of Risks Arising From Financial Instruments (continued)**

### **Price Risk**

The Council does not invest in quoted equity shares and is not exposed to losses arising from movements in the prices of shares.

### **Foreign Exchange Risk**

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## **Note 40 Trust Funds and Common Good Funds**

The Council administers 59 trust funds, acting as sole trustee for 55 trust funds and as one of several trustees for a further 4 funds. The Council also administers several Common Good funds.

These funds do not represent assets of the Council and they have not been included in the Council Balance Sheet.

Further details of the Trust Funds and Common Good funds are shown on pages 99 to 110.

## Housing Revenue Account Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2018 of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2016/17		2017/18
£000		£000
	<b>Income</b>	
(17,159)	Dwelling Rents	(17,762)
(181)	Non Dwelling Rents	(178)
(610)	Other Income	(609)
<b>(17,950)</b>	<b>Total Income</b>	<b>(18,549)</b>
	<b>Expenditure</b>	
3,936	Supervision & Management	4,301
6,333	Repairs & Maintenance	6,715
155	Bad & Doubtful Debts	112
6,233	Depreciation and Impairment of Non-Current Assets	6,472
1,042	Revaluation losses on Non-Current Assets	3,034
46	HRA Share of Corporate and Democratic Core costs	38
480	Other Expenditure	507
<b>18,225</b>	<b>Total Expenditure</b>	<b>21,179</b>
<b>275</b>	<b>Net Cost of HRA Services</b>	<b>2,630</b>
142	(Gain)/loss on sale of HRA Non-Current Assets	(6)
2,761	Interest Payable and Similar Charges	2,592
(27)	Interest and Investment Income	(171)
82	Net interest on the net defined benefit liability	100
(3,889)	Capital grants and contributions receivable	(3,609)
<b>(656)</b>	<b>(Surplus)/Deficit for the Year on HRA Services</b>	<b>1,536</b>





## Movement on the Housing Revenue Account Statement

2016/17		2017/18
£000		£000
(656)	<b>(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account</b>	1,536
	<b>Adjustments between accounting basis and funding basis under regulations</b>	
98	Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	91
(142)	Net gain or loss on sale of HRA non-current assets	6
3,637	Capital expenditure funded by the Housing Revenue Account	4,800
	Transfers to/from the Capital Adjustment Account:	
(6,233)	Depreciation and Impairment of Non-Current Assets	(6,472)
(1,042)	Revaluation losses on Property, Plant and Equipment	(3,034)
-	Movement on revaluation of Investment Property	142
800	Loans fund principal repayments	853
3,889	Capital Grants applied	3,609
<u>351</u>	<b>Net decrease before transfers to reserves</b>	<u>1,531</u>
	<b>Transfers to/(from) reserves</b>	
8	IORB and Statutory Funds	11
-	Transfers from the General Fund as directed by the Minister	(1,100)
(191)	HRA share of contributions (from) the Pensions Reserve	(385)
(3)	Employee Statutory Adjustment Account	(12)
<u>(186)</u>		<u>(1,486)</u>
165	<b>Decrease in the year on the HRA</b>	45
(1,342)	<b>Housing Revenue Account Balance Brought Forward</b>	(1,177)
<u><u>(1,177)</u></u>	<b>Housing Revenue Account Balance Carried Forward</b>	<u><u>(1,132)</u></u>



## Notes to the Housing Revenue Account

### 1. Number and Type of Dwelling House

The Council dwelling house stock as at 31 March was as follows:-

		2016/17	2017/18
		Number of dwellings	Number of dwellings
Bedsit	Houses & bungalows	20	20
	Flats & Maisonettes	25	24
1 bedroom	Houses & bungalows	1,079	1,079
	Flats & Maisonettes	595	623
2 bedroom	Houses & bungalows	2,161	2,162
	Flats & Maisonettes	688	688
3 bedroom	Houses & bungalows	1,206	1,210
	Flats & Maisonettes	99	98
4 or more bedroomed	Houses & bungalows	132	138
	Total	<u>6,005</u>	<u>6,042</u>

### 2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2018 was £0.369M which is 2.08% of gross rental income. This is equivalent to £61.06 per house (2016/17 £0.363M, 2.11%, £60.38).

### 3. Bad Debt Provision

The provision for uncollectable debts has decreased by £0.013M (Increase in 2016/17 £0.037M). The total provision for uncollectable debts including rechargeable repairs is £0.256M (2016/17 £0.269M).

### 4. Voids

The loss of rental on void properties for the year was £0.117M (2016/17 £0.098M).



## Council Tax Income Account

The Council Tax Income Account (Scotland) shows the gross income raised from Council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

On 1 April 1993, the Council Tax replaced the Community Charge. It is a property based tax which relates to the capital value of domestic properties at 1st April 1991, as determined by the Assessor, with each property being placed in a Valuation Band, between A and H. The Assessor publishes a Valuation List which contains information on each property and the band to which it has been assigned. All properties in the Valuation List are liable for Council Tax, but some may be exempt from payment or may attract a discount depending on whether they are unoccupied, the number of persons in occupation and/or the status of the persons resident.

2016/17 £000			2017/18 £000
47,521	<b>Council Tax Levied and Contributions in Lieu</b>		51,009
(3,604)	Deduct:	Local Council Tax Reduction Scheme	(3,739)
(6,980)		Other discounts and reductions	(7,594)
<u>36,937</u>		<b>Total for Year</b>	<u>39,676</u>
(70)		Council Tax adjustment in respect of prior years	(49)
(525)		Allowance for impairment of uncollectable debts	(497)
<u>36,342</u>	<b>Transfers to General Fund</b>		<u>39,130</u>

### Council Tax Levy

In order to encourage empty home owners to bring their properties back into use to increase the supply of housing in Scotland, the Scottish Government introduced the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012. This legislation allowed Councils to remove the discount for Council Tax on certain types of unoccupied homes and to increase the level of Council Tax payable on these properties.

The new powers came into effect on 1 April 2013 and Moray Council decided to use these new powers to introduce an additional levy on properties which have been unoccupied for more than twelve months. This additional levy was set at 50% from 1 April 2014 rising to 100% from 1 April 2015. During 2017/18 Moray Council collected £0.3m (£0.3m in 2016/17) from the implementation of this new policy. This amount is included in the figures above.

### Council Tax Banding

A change to Council Tax legislation made by Scottish Government on 1 April 2017 resulted in an increase in the amount of Council Tax levied on properties in Bands E to H in relation to Band D. The calculation of the Council Tax charge for Bands A to D was unaffected by this change in legislation.

## Council Tax Income Account (continued)

### Calculation of Council Tax Base

#### Number of Dwellings

	Number of Dwellings	Number of Exemptions/ Reliefs	Discounts		Total Equivalent Dwellings	Ratio to Band D	Band D Equivalent
			25%	Other			
Band A	11,982	727	1,509	193	9,553	6/9	6,365
Band B	10,519	496	995	227	8,801	7/9	6,845
Band C	6,789	413	520	112	5,745	8/9	5,107
Band D	6,379	488	397	113	5,381	9/9	5,381
Band E	5,908	228	287	95	5,298	11/9	6,475
Band F	2,127	56	72	41	1,959	13/9	2,830
Band G	643	25	21	20	577	15/9	962
Band H	107	54	1	5	47	18/9	94
	<b>44,454</b>	<b>2,487</b>	<b>3,802</b>	<b>806</b>	<b>37,361</b>		<b>34,059</b>
Add: Contributions in Lieu							951
Less: Provision for non-collection							700
<b>Council Tax Base 2017/18</b>							<b>34,310</b>

Other Discount rates are 10% or 50%.

For a small number of Band A houses the ratio to Band D is 5/9. This relates to disabled banding relief.

### Calculation of Council Tax

In 2017/18, the charges for each band were as follows:

Band	Property Value £	Number of Properties	Council Tax Charge £
A	Up to 27,000	9,553	779.37
B	27,000 - 35,000	8,801	909.26
C	35,001 - 45,000	5,745	1,039.16
D	45,001 - 58,000	5,381	1,169.05
E	58,001 - 80,000	5,298	1,536.00
F	80,001 - 106,000	1,959	1,899.71
G	106,001 - 212,000	577	2,289.39
H	Above 212,000	47	2,864.17

## Non-Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

The occupiers of non-domestic properties are liable to pay rates which are assessed on their property's rateable value. Each property is assigned a rateable value by the Assessor, which is published in the Valuation Roll. The non-domestic rates poundage, which is used to calculate the amount of rates payable, is set by Scottish Government Ministers.

In 2017/18 the rate poundage was 46.6p (48.4p in 2016/17). Properties with a rateable value of more than £0.051M attract a Large Business Supplemental of 2.6p (2.6p in 2016/17).

Properties with a rateable value of up to £0.018M qualified for a reduction on a sliding scale of between 25% and 100% of their rates bill under the Small Business Bonus Scheme.

The rates collected from non-domestic ratepayers during the year are shown below. Any difference between the rates collected and the amount the Council is guaranteed to receive under the National Pooling arrangements is adjusted via the Revenue Support Grant paid by the Scottish Government to the Council.

The Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS) from April 2012 to encourage Local Authorities to maximise their existing business rates income and encourage new business start up. The Scottish Government set a target for each Local Authority and the Local Authority retains 50% of any additional income above the target.

2016/17 £000		2017/18 £000
45,574	<b>Gross Rates Levied</b>	52,936
	Deduct:	
(6,818)	Reliefs and other deductions	(8,543)
<u>38,756</u>	<b>Net Non-Domestic Rate Income</b>	<u>44,393</u>
(11)	Adjustments to previous years' National Non Domestic Rates	(712)
<u>38,745</u>		<u>43,681</u>
(153)	Business Rates Incentivisation Scheme (BRIS) retention	-
(3,010)	Contribution (to)/from National Pooling	(10,275)
<u>35,582</u>	<b>Guaranteed Rate Income</b>	<u>33,406</u>
153	<b>BRIS retention</b>	-
<u>35,735</u>	<b>Amount credited to the Comprehensive Income and Expenditure Account</b>	<u>33,406</u>

## Non-Domestic Rate Income Account (continued)

### Analysis of Rateable Values & Numbers of Subjects at 1 April 2017

	Number of Subjects	2017/18 Rateable Value £000
Shops	922	19,165
Public Houses	59	1,078
Offices (including Banks)	483	6,042
Hotels, Boarding Houses, etc.	101	2,859
Industrial & Freight Transport Subjects	1,213	42,179
Leisure, Entertainment Caravans and Holiday Sites	493	3,369
Garages and Petrol Stations	122	1,379
Cultural	21	274
Sporting Subjects	63	132
Education & Training	77	7,065
Public Service Subjects	280	13,958
Communications (Non-Formula)	13	1,619
Quarries, Mines etc.	33	392
Petrochemical	5	723
Religious	160	1,200
Health Medical	56	2,416
Other	421	681
Care Facilities	53	1,979
Advertising	17	32
Undertaking	17	1,699
	<u>4,609</u>	<u>108,241</u>

A revaluation of the rateable values of all non-domestic properties was implemented on 1st April 2017.



## **Trust Funds**

The Council administers 59 trust funds, acting as sole trustee for 55 trusts and as one of several trustees for a further 4 funds. These accounts do not represent a charge to Council Tax payers but form part of the statutory reporting requirements of the Council. They represent funds set up by various individuals and organisations for the benefit of the community or organisations within the Moray area.

The statements below summarise the trust funds' income and expenditure for the year and the funds assets and liabilities at 31 March 2018.

## **Trust Reorganisation**

The Council is currently undertaking a review of its trusts, in consultation with the Office of the Scottish Charities Regulator (OSCR), to identify options for restructuring its existing charitable and non charitable trusts in order to create a smaller number of trusts with improved governance arrangements and with the opportunity to maximise the use of these resources to the benefit of the citizens of Moray. In August 2016, The Moray Council Charitable Trust was awarded charitable status under the Charities and Trustee Investment (Scotland) Act 2005.

During the year nine charitable trusts were removed from the Scottish Charity Register as a result of the trust funds being exhausted from ongoing administrative costs. When a trust has no remaining assets it automatically ceases to exist and is removed from OSCR's register.

## **Accounting Policies**

### **Basis of Preparation**

The financial statements for the charitable trusts have been prepared in accordance with the Charities: Statement of Recommended Practice 2015, commonly referred to as the Charities SORP, in accordance with the Financial Reporting Standard 102 (FRS 102), which is effective for accounting periods beginning after 1 January 2015. The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at fair value, in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the trust funds for which it acts as sole trustee are connected charities. As such the accounts for these individual charities have been prepared on a collective basis for the Council. Separate financial statements covering all the Councils charitable trusts are published on the Councils website.

The financial statements for the non-charitable trusts have been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2017/18.

As far as concerns the trusts reported in these financial statements, application of different reporting standards does not produce inconsistent results.

### **Investment Income**

Investment income is accounted for in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

### **Resources expended**

Expenditure is included in the financial statements on an accruals basis.

### **Investments**

Investments are included at fair value at the balance sheet date in accordance with the principles of the SORP. Investment gains and losses include any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to fair value at the end of the period.



## Trust Funds Income and Expenditure Account

2016/17			2017/18		
Connected Charitable £000	Other £000		Connected Charitable £000	Other £000	
		<b>Income</b>			
(21)	(82)	Investment Income	(22)	(89)	
-	(42)	Property Rental Income	-	(39)	
-	(1,300)	Revaluation of Fixed Assets	-	(606)	
(82)	(339)	(Surplus)/ Deficit on revaluation of Available for Sale Financial Assets	5	19	
(1)	(16)	Other Income	-	(20)	
<b>(104)</b>	<b>(1,779)</b>	<b>Total Income</b>	<b>(17)</b>	<b>(735)</b>	
		<b>Expenditure</b>			
6	70	Beneficiaries	13	64	
8	9	Administration	7	10	
-	43	Other Costs	-	62	
-	-	Loss on Disposal of Fixed Asset	-	9	
-	89	Depreciation	-	104	
<b>14</b>	<b>211</b>	<b>Total Expenditure</b>	<b>20</b>	<b>249</b>	
<b>(90)</b>	<b>(1,568)</b>	<b>(Surplus)/ Deficit for the year</b>	<b>3</b>	<b>(486)</b>	
<b>82</b>	<b>1,550</b>	Items not Chargeable to Revenue Reserves	<b>(5)</b>	<b>474</b>	
<b>(8)</b>	<b>(18)</b>	<b>(Increase)/ Decrease in Revenue Reserves</b>	<b>(2)</b>	<b>(12)</b>	

## Trust Funds Balance Sheet

31 March 2017			31 March 2018		
Connected Charitable £000	Other £000		Connected Charitable £000	Other £000	
-	4,023	Property Plant & Equipment	-	4,516	Note 1
-	74	Investment Properties	-	74	Note 3
521	2,152	Long Term Investments	516	2,133	Note 4
<b>521</b>	<b>6,249</b>	<b>Long Term Assets</b>	<b>516</b>	<b>6,723</b>	
1	11	Debtors	1	6	
424	1,500	Loans Fund Balance	431	1,521	
<b>425</b>	<b>1,511</b>	<b>Current Assets</b>	<b>432</b>	<b>1,527</b>	
(5)	(7)	Creditors	(10)	(11)	
(5)	(7)	<b>Current Liabilities</b>	(10)	(11)	
<b>941</b>	<b>7,753</b>	<b>Net Assets</b>	<b>938</b>	<b>8,239</b>	
-	74	Capital Adjustment Account	-	65	
-	3,999	Revaluation Reserve	-	4,501	
270	1,117	Available for Sale Financial Instruments Reserve	265	1,098	
671	2,563	Revenue Balance	673	2,575	
<b>941</b>	<b>7,753</b>	<b>Total Reserves</b>	<b>938</b>	<b>8,239</b>	

### Note 1 Property, Plant & Equipment

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Other Land & Buildings	- Existing Use Value (EUV) or Depreciated Replacement Cost (DRC)
Community Assets	- Historic Cost where available.

Other Land & Buildings	- Buildings up to 55 years, land is not depreciated
Community Assets	- Rights and land are not depreciated

2016/17

2017/18

	Other Land & Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2017	4,207	24	4,231
Revaluations	513	-	513
Disposals	-	(9)	(9)
Gross Book Value at 31 March 2018	4,720	15	4,735
Accumulated Depreciation at 1 April 2017	208	-	208
Revaluations	(93)	-	(93)
Charge for the Year	104	-	104
Depreciation at 31 March 2018	219	-	219
Net Book Value at 31 March 2018	4,501	15	4,516
Net Book Value at 31 March 2017	3,999	24	4,023

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## Note 2 Heritage Assets

The following table shows assets which may be regarded as Heritage assets, but which have not been included in the Balance Sheet as the Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. The Code therefore permits such assets to be excluded from the Balance Sheet.

Assets excluded from Heritage Assets	Estimated number of assets 31 March 2018
Monuments and Fountains	2

## Note 3 Investment Properties

The following table summarises the movement in the fair value of investment properties over the year.

	2016/17 £000	2017/18 £000
Balance at start of the year	74	74
Net gains/(losses) from fair value adjustments	-	-
Balance at end of the year	74	74

## Note 4 Long Term Investments

Long Term Investments are a mixed portfolio of Unit Trusts.

## Note 5 Trust Details

### Funds for which The Moray Council act as Sole Trustee

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
<b>Registered Charitable Trusts</b>				
29 Registered Charitable Trusts, each with Assets less than £50,000	(2)	3	182	(3)
Cumine of Auchray <i>Established to provide for decayed merchants of the Burgh of Elgin</i>	(2)	-	129	-
Moray & Nairn Educational <i>Grants payable to persons resident in the former combined County of Moray &amp; Nairn, including University &amp; Central Institution Bursaries; Adult Education; School Equipment; Sports facilities; Travel Grants and School Excursions</i>	(13)	17	637	(7)
	(17)	20	948	(10)
<b>Other Trusts</b>				
6 Non Registered Trusts, each with Assets less than £50,000	(1)	10	120	-
Longmore Hall <i>Village Hall for the use of the community</i>	-	27	944	-
Glenisla Comforts Fund <i>For the benefit of the residents of Glenisla Care Home</i>	(3)	-	139	-

## Note 5 Trust Details (continued)

<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Other Trusts (continued)</b>				
Speyside Comforts Fund <i>For the benefit of the residents of Speyside Nursing Home</i>	(1)	-	61	-
The Pringle Trust <i>Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland</i>	(2)	1	102	-
William Lawtie <i>For the Poor of Cullen</i>	(2)	-	188	-
The MacDonald Benevolent Fund <i>Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department</i>	(4)	3	275	-
Milne's Institution Trust <i>The free annual income to be applied as The Moray Council thinks fit for the purposes of the educational enrichment of pupils attending Milne's High School and Milne's Primary School. The income shall be apportioned to the schools on a pro rata basis by reference to attendance rolls of the respective schools</i>	(6)	7	275	-
Laing Mortification <i>For the benefit of a decayed merchant resident in Elgin.</i>	(4)	-	293	-
Craigmoray Bequest (Bishopmill) <i>For the benefit of the residents of Craigmoray Care Home</i>	(7)	-	401	-
Ladyhill Public Trust <i>Provides homes for two veterans from the Elgin area</i>	(63)	5	125	-
Jubilee Cottages Public Trust <i>Trust established by monies raised during Queen Victoria's Diamond Jubilee for the purposes of providing low cost housing</i>	(1)	11	626	-
Cooper Park Public Trust <i>Trust established at turn of last century to provide Elgin library and reading rooms and parkland for recreation – all for the inhabitants of Elgin</i>	(70)	58	406	-
River Lossie Public Trust <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i>	(38)	43	905	-
Grant Park Public Trust <i>Trust incorporating the public convenience, tea room/shop and the cricket and bowling pavilions, to be used for the benefit of the community of Forres</i>	(67)	20	762	-

## Note 5 Trust Details (continued)

<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Other Trusts (continued)</b>				
Milnorduff Hall <i>Established to provide space for local groups for education, recreation etc</i>	(153)	8	387	-
Logie Cottage <i>Established to provide a free home or house of rest to a respectable retired couple or single woman in Forres</i>	(13)	-	90	-
Fife Park, Keith Public Trust <i>Trust incorporating the playing field, pavilion and public convenience</i>	(62)	3	59	-
Portknockie Bowling Club Public Trust <i>Tennis &amp; Bowling Club located in Portknockie</i>	(199)	5	194	-
	<u>(696)</u>	<u>201</u>	<u>6,352</u>	<u>-</u>

### Funds for which The Moray Council acts as one of several trustees

#### Registered Charitable Trusts

Auchernack Trust <i>For the benefit of the elderly community of the Forres Area who are in need of relief by reason of advanced age</i>	(15)	17	750	-
	<u>(15)</u>	<u>17</u>	<u>750</u>	<u>-</u>

#### Other Trusts

Donald Manson (Edinkillie) Fund <i>3 Bursaries for children living in the Parish of Edinkillie in S1 as well as one Further Education Bursary for a student aged under 18. The annual balance of the fund is payable to Forres Academy</i>	(7)	9	344	(9)
Donald Manson (Forres) Fund <i>One bursary for a child living in the Burgh of Forres in S1. The annual balance of the fund is payable to Forres Academy</i>	(2)	2	96	(2)
Banffshire Educational Trust <i>Grants payable to persons resident in the former County of Banffshire, including University, Post Graduate, Apprentices &amp; Trainees; School Equipment; Sports Facilities; Support of Clubs; Promoting Education in Drama, Music &amp; Visual Arts; Travel Grants and School Excursions.</i>	(15)	20	708	-
	<u>(24)</u>	<u>31</u>	<u>1,148</u>	<u>(11)</u>

<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Summary</b>				
Connected Charitable Trusts	(17)	20	948	(10)
Other Trusts	<u>(735)</u>	<u>249</u>	<u>8,250</u>	<u>(11)</u>
Total	<u><u>(752)</u></u>	<u><u>269</u></u>	<u><u>9,198</u></u>	<u><u>(21)</u></u>





## Common Good Funds

The Council administers the Common Good Funds which consist of bequests made to the former Town Councils for the good of the residents. These funds were transferred to Moray District Council in 1975 and then to The Moray Council in 1996 as the successor Council under the reorganisation of Local Government.

These funds do not represent a charge to Council Tax payers but form part of the statutory reporting requirements of the Council. They represent funds set up for the benefit of the community or organisations within the Moray area.

The Accounts for Common Good have been prepared according to the LAASAC Guidance *Accounting for Common Good (December 2007)* which is consistent with proper accounting required by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

## Accounting Policies

Accounting Policies adopted for the Common Good are the same as those adopted for the Moray Council with the exception of the application of IAS 16 and IAS 40. IAS 16 requires that assets be depreciated and that the charge for depreciation be set against any surplus in the Income and Expenditure Account. IAS 40 requires any movement in the fair value of investment properties to be recognised in the surplus or deficit in the Income and Expenditure Account.

## Common Good Funds Income and Expenditure Account

31 March 2017 £000		31 March 2018 £000
	<b>Income</b>	
(4)	Property	(2)
(84)	Investment Income	(90)
(68)	Other Income	(23)
-	Gain on Disposal of Asset	(13)
<b>(156)</b>	<b>Total Income</b>	<b>(128)</b>
	<b>Expenditure</b>	
4	Property Costs	4
9	Administrative Costs	7
44	Donations, Grants etc	91
3	Other Costs	-
418	Depreciation	447
4,258	Net Movement in Fair Value of Investment Property	526
<b>4,736</b>	<b>Total Expenditure</b>	<b>1,075</b>
<b>4,580</b>	<b>(Surplus)/Deficit for the Year</b>	<b>947</b>
(635)	(Surplus) on revaluation of Non-current Assets	(984)
<b>3,945</b>	<b>Total Comprehensive Net (Income)/Expenditure</b>	<b>(37)</b>

## Common Good Funds Balance Sheet

31 March 2017  
£000

31 March 2018  
£000

12,373	Property, Plant & Equipment	<b>Note 1</b>	12,910
204	Heritage Assets	<b>Note 2</b>	204
4,443	Investment Property	<b>Note 3</b>	3,917
<b>17,020</b>	<b>Long Term Assets</b>		<b>17,031</b>
1	Inventories		1
3,365	Loans Fund Balance		3,394
<b>3,366</b>	<b>Current Assets</b>		<b>3,395</b>
(2)	Creditors		(5)
<b>(2)</b>	<b>Current Liabilities</b>		<b>(5)</b>
<b>20,384</b>	<b>Net Assets</b>		<b>20,421</b>
12,567	Revaluation Reserve		13,104
7,817	Revenue Reserve		7,317
<b>20,384</b>	<b>Total Reserves</b>		<b>20,421</b>

### Summary of Funds

Total Funds £000		Invested In Loans Fund £000	Total Funds £000
2,625	Buckie	1,532	3,645
704	Cullen	31	684
15	Dufftown	15	15
10,015	Elgin	1,449	9,412
6,510	Forres	314	6,186
52	Portknockie	51	51
257	Keith	2	125
206	Lossiemouth	-	303
<b>20,384</b>	<b>TOTAL</b>	<b>3,394</b>	<b>20,421</b>

## Notes to the Common Good Accounts

### Note 1 Property, Plant & Equipment

Property, plant and equipment is valued on the basis recommended by CIPFA and the valuation report is produced by the Council's Estates Manager who is a Member of the Royal Institute of Chartered Surveyors. The assets are valued on a 5 year rolling programme and have been prepared in accordance with the provisions of the Royal Institution of Chartered Surveyors Valuation - Professional Standards January 2014.

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

Assets have been valued on the following basis:-

Other Land & Buildings	- Existing Use Value (EUV) or Depreciated Replacement Cost (DRC)
Community Assets	- Historic Cost where available.
Surplus Assets	- Market value

#### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Other Land & Buildings - Buildings up to 60 years, land is not depreciated

Surplus Assets - land is not depreciated

Movements of Property Plant & Equipment were as follows:

#### 2016/17

	Other Land & Buildings	Surplus Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2016	11,690	1,270	12,960
Revaluations	624	(5)	619
Gross Book Value at 31 March 2017	12,314	1,265	13,579
Accumulated Depreciation at 1 April 2016	799	5	804
Revaluations	(16)	-	(16)
Charge for the Year	413	5	418
Depreciation at 31 March 2017	1,196	10	1,206
Net Book Value at 31 March 2017	11,118	1,255	12,373
Net Book Value at 31 March 2016	10,891	1,265	12,156

#### 2017/18

	Other Land & Buildings	Surplus Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2017	12,314	1,265	13,579
Revaluations	1,190	(390)	800
Gross Book Value at 31 March 2018	13,504	875	14,379
Accumulated Depreciation at 1 April 2017	1,196	10	1,206
Revaluations	(174)	(10)	(184)
Charge for the Year	445	2	447
Depreciation at 31 March 2018	1,467	2	1,469
Net Book Value at 31 March 2018	12,037	873	12,910
Net Book Value at 31 March 2017	11,118	1,255	12,373

Revaluations (2016/17 & 2017/18) include assets previously held on the General Services Account now identified as Common Good.

## Note 2 Heritage Assets

This note details the movement in Heritage Assets during the years 2016/17 and 2017/18.

	<b>Fine Art</b>	<b>Chains of Office</b>	<b>Total Heritage Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Valuation at 1 April 2016	125	79	204
Revaluations	-	-	-
<b>At 31 March 2017</b>	<b>125</b>	<b>79</b>	<b>204</b>
Valuation at 1 April 2017	125	79	204
Revaluations	-	-	-
<b>At 31 March 2018</b>	<b>125</b>	<b>79</b>	<b>204</b>

The Chains of Office were independently valued during 2012/13 and 2013/14 by William Windwick, PJDip FGA FNAG MIRV, a member of the Institute of Registered Valuers.

The following table shows assets that may be regarded as Heritage Assets, but which have not been included in the Balance Sheet as the Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. The Code therefore permits such assets to be excluded from the Balance Sheet.

<b>Assets excluded from Heritage Assets</b>	<b>Estimated number of assets 31 March 2018</b>
Monuments and Fountains	1
Nelson Tower	1

## Note 3 Investment Property

The following items of income and expense have been accounted for in Investment Income in the Income and Expenditure Account:-

	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Rental income from investment property	35	39
Net gain	<u>35</u>	<u>39</u>

There are some restrictions from the original benefactors on the Common Good's ability to realise the value inherent in its investment property. The Common Good has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Balance at start of the year	8,701	4,443
Net gains /(loss) from fair value adjustments	(4,258)	(526)
Balance at end of the year	<u>4,443</u>	<u>3,917</u>

## **GROUP ACCOUNTS**



## Group Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2018, of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The group raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement .

31 March 2017				31 March 2018		
£000 Expenditure	£000 Income	£000 Net		£000 Expenditure	£000 Income	£000 Net
116,392	(4,293)	112,099	Educational & Integrated Children's Services	115,765	(7,451)	108,314
18,846	(14,513)	4,333	General Services Housing & Property Service	18,972	(13,820)	5,152
49,953	(14,818)	35,135	Direct Services	52,054	(15,071)	36,983
6,362	(2,226)	4,136	Development Services	7,143	(2,819)	4,324
31,686	(19,264)	12,422	Corporate Services	32,654	(19,266)	13,388
2,722	(244)	2,478	Chief Executive	2,820	(215)	2,605
1,517	(114)	1,403	Other Services	1,449	(32)	1,417
95,527	(54,640)	40,887	Health & Social Care	96,764	(54,415)	42,349
18,225	(17,950)	275	Housing Revenue Account	21,179	(18,549)	2,630
<b>341,230</b>	<b>(128,062)</b>	<b>213,168</b>	<b>Cost Of Services</b>	<b>348,800</b>	<b>(131,638)</b>	<b>217,162</b>
		3,658	Other Operating Expenditure			8,227
		18,880	Financing and Investment Income and Expenditure			16,742
		<u>(204,760)</u>	Taxation and Non-Specific Grant Income			<u>(207,951)</u>
		<b>30,946</b>	<b>Deficit on Provision of Services</b>			<b>34,180</b>
		<u>(1,341)</u>	Associates accounted for on an equity basis			<u>1,187</u>
		<b>29,605</b>	<b>Group Deficit carried forward</b>			<b>35,367</b>
		(1,439)	(Surplus) on revaluation of long term assets			(2,395)
		(421)	(Surplus)/Deficit on revaluation of available for sale financial assets			24
		58,028	Actuarial (gains) / losses on pension assets / liabilities			(66,907)
		414	Share of other Comprehensive (Income) and Expenditure of Associates			(355)
		<b>56,582</b>	<b>Other Comprehensive (Income)/Expenditure</b>			<b>(69,633)</b>
		<b>86,187</b>	<b>Total Comprehensive (Income)/Expenditure</b>			<b>(34,266)</b>





## Group Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory amounts required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase or Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund	Revenues Statutory Funds	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries Reserves	Authority's Share of Associates Reserves	Total Group Reserves
Restated	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2016</b>	<b>24,713</b>	<b>1,342</b>	<b>645</b>	<b>69</b>	<b>91</b>	<b>4,054</b>	<b>30,914</b>	<b>456,159</b>	<b>487,073</b>	<b>30,934</b>	<b>(364)</b>	<b>517,652</b>
<b>Movement in Reserves 2016/17</b>												
Total Comprehensive Expenditure and Income	(26,891)	656	-	-	-	-	(26,235)	(58,524)	(84,759)	(2,355)	927	(86,187)
Adjustments between accounting basis & funding basis under regulations	24,961	(821)	968	-	526	12	25,646	(25,646)	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(1,930)</b>	<b>(165)</b>	<b>968</b>	<b>-</b>	<b>526</b>	<b>12</b>	<b>(589)</b>	<b>(84,170)</b>	<b>(84,759)</b>	<b>(2,355)</b>	<b>927</b>	<b>(86,187)</b>
<b>Balance at 31 March 2016</b>	<b>22,783</b>	<b>1,177</b>	<b>1,613</b>	<b>69</b>	<b>617</b>	<b>4,066</b>	<b>30,325</b>	<b>371,989</b>	<b>402,314</b>	<b>28,579</b>	<b>563</b>	<b>431,456</b>
<b>Note</b>												
Minority Interest									499			499
<b>Total Reserves as per Balance Sheet</b>									<b>29,078</b>			<b>431,955</b>

The Authority's share of Associates reserves has been restated for 2016/17 following a late audit amendment in Moray Leisure Centre's accounts.

## Group Movement in Reserves Statement (Continued)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund	Revenues Statutory Funds	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries Reserves	Authority's Share of Associates Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	<b>22,783</b>	<b>1,177</b>	<b>1,613</b>	<b>69</b>	<b>617</b>	<b>4,066</b>	<b>30,325</b>	<b>371,989</b>	<b>402,314</b>	<b>28,579</b>	<b>563</b>	<b>431,456</b>
<b>Movement in Reserves 2017/18</b>												
Total Comprehensive Expenditure and Income	(31,452)	(1,536)	-	-	-	-	(32,988)	67,712	34,724	374	(832)	34,266
Adjustments between accounting basis & funding basis under regulations	27,322	1,491	(964)	-	(506)	12	27,355	(27,355)	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(4,130)</b>	<b>(45)</b>	<b>(964)</b>	<b>-</b>	<b>(506)</b>	<b>12</b>	<b>(5,633)</b>	<b>40,357</b>	<b>34,724</b>	<b>374</b>	<b>(832)</b>	<b>34,266</b>
<b>Balance at 31 March 2018</b>	<b>18,653</b>	<b>1,132</b>	<b>649</b>	<b>69</b>	<b>111</b>	<b>4,078</b>	<b>24,692</b>	<b>412,346</b>	<b>437,038</b>	<b>28,953</b>	<b>(269)</b>	<b>465,722</b>
<b>Note</b>												
Minority Interest									645		645	
<b>Total Reserves as per Balance Sheet</b>									<b>29,598</b>		<b>466,367</b>	

## Group Balance Sheet as at 31 March 2018

The Group Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Group are not able to use to provide services (unusable reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve) where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

<b>Group</b> <b>31 March 2017</b> <b>£000</b>		<b>Notes</b>	<b>Group</b> <b>31 March 2018</b> <b>£000</b>
826,889	Property, Plant & Equipment	5	846,074
1,209	Heritage Assets		1,352
7,750	Investment Property		7,088
312	Intangible Assets		328
2,673	Long Term Investments		2,649
1,549	Investments in Associates		460
765	Long Term Debtors		683
<u>841,147</u>	<b>Long Term Assets</b>		<u>858,634</u>
699	Inventories		631
9,154	Short Term Debtors		9,075
-	Short Term Investments		11,004
644	Cash and Cash Equivalents		-
1,880	Assets held for sale		1,390
<u>12,377</u>	<b>Current Assets</b>		<u>22,100</u>
-	Cash and Cash Equivalents		(3,615)
(38,844)	Short Term Borrowing		(51,414)
<u>(27,693)</u>	Short Term Creditors		<u>(32,535)</u>
(66,537)	<b>Current Liabilities</b>		(87,564)
(560)	Provisions		(426)
(156,709)	Long Term Borrowing		(157,579)
(34,627)	Other Long Term Liabilities		(59,205)
(162,150)	Pension Liability		(108,864)
(986)	Liabilities in Associates		(729)
<u>(355,032)</u>	<b>Long Term Liabilities</b>		<u>(326,803)</u>
<u><b>431,955</b></u>	<b>Net Assets</b>		<u><b>466,367</b></u>

# **Group Balance Sheet as at 31 March 2018 (continued)**

<b>Group</b>		<b>Group</b>
<b>31 March 2017</b>	<b>Notes</b>	<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
33,335	General Fund Revenue Reserve	28,573
1,177	HRA	1,132
1,613	Capital Receipts Reserve	649
69	Unapplied Capital Grants	69
617	Capital Fund	111
4,066	Revenues Statutory Funds	4,078
<b>40,877</b>	<b>Usable Reserves</b>	<b>34,612</b>
210,560	Revaluation Reserve	203,931
352,876	Capital Adjustment Account	347,832
(7,269)	Financial Instruments Adj Account	(6,957)
(5,388)	Accumulated Absences Account	(5,926)
1,387	Available for Sale Fin Ins Reserve	1,363
(162,150)	Pensions Reserve	(108,864)
<b>390,016</b>	<b>Unusable Reserves</b>	<b>431,379</b>
563	Share of Associates Reserves	(269)
499	Minority Interest	645
<b>431,955</b>	<b>Total Reserves</b>	<b>466,367</b>

The notes on pages 121 to 127 form part of the financial statements.

**Lorraine Paisey CA**

**Head of Financial Services**

**28 June 2018**

The unaudited Annual Accounts were issued on 28 June 2018 by Lorraine Paisey, Head of Financial Services.

## Group Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Group during the financial year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on the future cash flows by providers of capital (ie borrowing) to the Group.

31 March 2017		31 March 2018	
£000		£000	
(30,946)	Net surplus on the provision of services	(34,180)	
61,700	Adjust net surplus on the provision of services for non cash movements	63,127	
(15,007)	Adjust for items included in the net surplus on the provision of services that are investing and financing activities	(15,492)	
15,747	Net cash flows from Operating Activities	13,455	
(34,521)	Investing Activities	(26,712)	
23,691	Financing Activities	8,998	
4,917	Net increase or (decrease) in cash and cash equivalents	(4,259)	
(4,273)	Cash and cash equivalents at the beginning of the reporting period	644	
644	Cash and cash equivalents at the end of the reporting period	(3,615)	
4,917		(4,259)	



## Notes to the Group Accounts

### Note 1 Nature of the Group and Group Members

The Council has an interest in a number of Subsidiary and Associate entities.

For the purposes of combination and incorporation within the Group Accounts, recognition has been made of the Council's controlling interest in seven subsidiary entities and two associate entities.

#### Subsidiaries

The Entities which have been combined as subsidiaries are:

Name of Subsidiary	Principal Place of Business	% of ownership interest held by the Group	% of ownership interest held by the non-controlling interests (NCI)
Banffshire Educational Trust	Moray	50	50
Donald Manson Edinkillie Trust Fund	Moray	67	33
Donald Manson Forbes Trust Fund	Moray	67	33
Falconer museum Trust	Moray	83	17
Auchernack Trust	Moray	80	20
Other Trust Funds	Moray	100	-
Common Good Funds	Moray	100	-

The Council inherited its interests in the Trust Funds and Common Good Funds following reorganisation of local government in 1996. It is considered that the combination was on an acquisition basis. However, as no financial consideration was given for this interest, there is no goodwill involved in these instances.

The Council acts as joint trustee with other parties for five trust funds which have a combined net asset balance of £1.886M. The Council acts as sole trustees for various other trust funds which have a net asset balance of £7.291M.

The Council is responsible for the administration of Common Goods Funds which were bequests made to former Town Councils within the Moray area. Council Members have responsibility for decisions on the distribution of these funds. The Common Good Funds have a net asset balance of £20.421M.

The individual accounts for these entities are shown separately on pages 99 to 110 of these accounts.

#### Associates

The Entities that have been combined as Associates are:

Name of Associate	Principal Place of Business	Moray Council's Share of Voting Control	Moray Council's Share of Requisition	Measurement Method
Grampian Valuation Joint Board	Moray	20%	17%	Equity
Moray Leisure Limited	Moray	43%	n/a	Equity
Moray Integration Joint Board	Moray	50%	33%	Equity

Copies of Accounts for Associates are available at the following addresses:

Name of Associate	Address where Accounts are Available
Grampian Valuation Joint Board	Council Building, High Street, Elgin IV30 1BX
Moray Leisure Limited	Borough Briggs Road, Elgin IV30 1AP
Moray Integration Joint Board	Council Building, High Street, Elgin IV30 1BX

## Note 1 Nature of the Group and Group Members (continued)

The tables below provide summarised financial information for those associates that are material to the Council. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the reporting entity's share of those amounts.

### Summarised balance sheet

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
<b>Current assets</b>						
Cash and cash equivalents	699	392	79	21	-	-
Other current assets	25	66	64	76	2,704	847
Total current assets	724	458	143	97	2,704	847
<b>Non-current assets</b>	650	643	505	313	-	-
<b>Current liabilities</b>	(548)	(360)	(189)	(326)	-	-
<b>Non-current liabilities</b>	(6,625)	(5,030)	-	-	-	-
<b>Net assets/(liabilities)</b>	(5,799)	(4,289)	459	84	2,704	847
<b>Reconciliation to carrying amounts:</b>						
Opening net assets/(liabilities) 1 April	(3,066)	(5,799)	366	459	-	2704
Surplus/ (deficit) for the period	(2,733)	1,510	93	(375)	2,704	(1,857)
Closing net assets/(liabilities)	(5,799)	(4,289)	459	84	2,704	847
Reporting entity's share in %	17	17	43	43	50	50
Reporting entity's share	(986)	(729)	197	36	1,352	423
<b>Carrying amount</b>	<b>(986)</b>	<b>(729)</b>	<b>197</b>	<b>36</b>	<b>1,352</b>	<b>423</b>

### Summarised Statements of Comprehensive Income

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Revenue	(4,207)	(4,455)	(2,647)	(2,141)	(121,984)	(126,819)
Interest income	(2)	(2)	-	-	-	-
Depreciation and amortisation	21	24	123	208	-	-
Interest expense	128	161	-	-	-	-
<b>(Surplus)/deficit for the period</b>	<b>296</b>	<b>575</b>	<b>(93)</b>	<b>375</b>	<b>(2,704)</b>	<b>1,857</b>
<b>Other comprehensive income and expenditure</b>	<b>2437</b>	<b>(2,085)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income and expenditure</b>	<b>2733</b>	<b>(1,510)</b>	<b>(93)</b>	<b>375</b>	<b>(2,704)</b>	<b>1,857</b>



## Note 1 Nature of the Group and Group Members (continued)

Inclusion of Associate entities has decreased reserves and net assets by £0.269M due mainly to the liability of the Grampian Valuation Joint Board's Pension Scheme, which is being reduced by the reserves of Moray Integration Joint Board.

### Other Entities in which the Council has an Interest

During the year the council had an interest in Grampian Venture Capital Fund Limited and the Highlands & Islands Transport Partnership (HITRANS). These companies have been excluded from the Group Accounts on the basis that the Council has no exposure to commercial risk from the companies and the Council has not passed on control of any of its assets to the companies. The financial transactions of the companies would also have no material effect on the Council's accounts.

	<b>Grampian Venture Capital Fund</b>	<b>HITRANS</b>
Nature	Economic development	Local Government
Purpose	Provide equity funding for small and medium sized enterprises	To prepare transport strategies for the region
Size	Small business	Small business
Activities	Provider equity funding	Transport strategy preparation
Financed	455,000 ordinary shares issues	Contributions from 5 Constituent Authorities (Highland, Moray and 3 others)
Moray Councils share of voting control	20.44%	23%

Carrying amounts of the entities:

	<b>Grampian Venture Capital Fund</b>		<b>HITRANS</b>	
	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Carrying amount of receivables	64	62	54	54
Carrying amount of liabilities	-	-	333	228
Maximum exposure to loss	-	-	333	228

## Note 2 Accounting Policies

The accounts of The Moray Council and of its Subsidiary and Associate entities combined in the Group Accounts have all been drawn up for the financial year to 31 March 2018.

The accounting policies of the Subsidiary and Associate entities have been aligned with the accounting policies of Moray Council.

These uniform accounting policies have been applied with the Group with the following exceptions:

The Trust Funds hold available for sale financial assets in the form of Government Securities and quoted investments. Income is credited to the Income and Expenditure Accounts when it becomes receivable. The assets are recorded in the Trust Funds Balance Sheet at market values. Changes in fair value are balanced by an entry in the Available-for-Sale Financial Instruments Reserve. Impairment losses are debited to the Income and Expenditure Account, along with any net gain or loss accumulated in the Available-for-Sale Financial Instruments Reserve. Gains or losses that arise on derecognition are credited or debited to the Income and Expenditure Account, along with any net gain or loss accumulated in the Available-for-Sale Financial Instruments Reserve. This treatment is in accordance with the Code.

The financial year for the Charitable Trust Funds is the same as Moray Council but the policies differ as the financial statements have been prepared in accordance with the Charities: Statement of Recommended Practice 2015, in accordance with the Financial Reporting Standard 102, which is effective for accounting periods beginning after 1 January 2015. The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at fair value, in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) regulations 2006 (as amended).

The Council and the Joint Board Associate entities are required to make statutory adjustments between the accounting and funding bases as shown in the Group Movement in Reserves Statement. This is not the case for the other entities.

The accounting policies for the Common Good subsidiary differ to The Moray Council relating to IAS 16 and IAS 40. IAS 16 requires that assets be depreciated and that the charge for depreciation be set against any surplus in the Income and Expenditure Account. IAS 40 requires any movement in the fair value of investment properties to be recognised in the surplus or deficit in the Income and Expenditure Account.

Moray Leisure Limited provides leisure activities for the whole of the Moray area. The Council's interest in Moray Leisure Limited bestows no obligation to contribute to any deficit incurred by the company.

The only material difference in the accounting policies of the Council and Moray Leisure Limited is that the buildings belonging to Moray Leisure have been valued at historic cost, whereas the buildings in the Council's statement of accounts are valued at current or market value, depending upon the classification of the asset. The net book value of buildings is shown as £0.313M in the company's balance sheet.

Application of these different reporting standards does not produce inconsistent results.

## Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, in addition to the critical judgements made by Moray Council, the Associates have made certain judgments about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future structure and levels of funding for Local Government and Joint Boards. However, the Joint Board has determined that this uncertainty does not appear to provide any indication that the assets of the Joint Board may be impaired in any way.

The Joint Board also has a significant net liability associated with the future pension costs. However, statutory arrangements for the funding of the deficit means that the financial position of the Board remains assured and the Joint Board has been consolidated on a going concern basis.

## **Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Annual Accounts contain estimated figures that are based on assumptions made by Moray Council and Associates about the future. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The following items should be considered for the Associates, in addition to those at Note 4 in Moray Council's Accounts.

### **Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance. If the Joint Boards are unable to sustain the current level of spend on the assets, there is a risk that the lives of the assets would be shortened.

The resultant changes would be that the level of depreciation charged would increase and the carrying values fall.

### **Pension Liabilities**

The liability associated with the future payments of pension is calculated by an actuary applying a range of complex and varied assumptions. Any changes to the assumptions could have a significant impact upon the net balance sheet liability and charges to the Comprehensive Income and Expenditure Statement given the relative values involved.

## **Note 5 Property, Plant and Equipment**

### **Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Council Dwellings – 50 years

Other Land and Buildings – Buildings up to 65 years, land is not depreciated

Vehicles, Plant, Furniture & Equipment – 3 to 12 years

Infrastructure – 40 years

Community Assets – 40 years

Surplus Assets – Buildings up to 60 years, land is not depreciated

## Note 5 Property, Plant and Equipment

### Comparative Movements in 2016/17:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Restated Cost or valuation</b>								
At 1 April 2016	263,321	346,002	40,342	258,169	880	3,594	14,269	926,577
Additions	4,665	17,946	6,048	13,007	-	-	7,558	49,224
Revaluation (decreases)/increases recognised in the Revaluation Reserve	(2,713)	(1,182)	-	-	-	385	-	(3,510)
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(1,042)	(11,764)	-	-	-	13	-	(12,793)
Derecognition – disposals	-	(863)	(3,011)	-	-	-	(83)	(3,957)
Assets reclassified (to)/from Held for Sale	(3,286)	(2,095)	-	-	-	232	-	(5,149)
Other movements in cost or valuation	1,721	6,949	1,405	146	-	1,403	(11,321)	303
<b>At 31 March 2017</b>	<b>262,666</b>	<b>354,993</b>	<b>44,784</b>	<b>271,322</b>	<b>880</b>	<b>5,627</b>	<b>10,423</b>	<b>950,695</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2016	6,070	35,406	26,670	34,972	309	60	-	103,487
Depreciation charge	6,107	11,214	3,560	7,388	20	49	-	28,338
Depreciation written out to the Revaluation Reserve	-	(3,511)	-	-	-	(20)	-	(3,531)
Depreciation written out to the Surplus on the Provision of Services	-	(1,534)	-	-	-	-	-	(1,534)
Derecognition – disposals	-	(62)	(2,763)	-	-	-	-	(2,825)
Assets reclassified (to) Held for Sale	(75)	(50)	-	-	-	(4)	-	(129)
Other movements in depreciation and impairment	-	(7)	-	-	-	7	-	-
<b>At 31 March 2017</b>	<b>12,102</b>	<b>41,456</b>	<b>27,467</b>	<b>42,360</b>	<b>329</b>	<b>92</b>	<b>-</b>	<b>123,806</b>

The opening balance for 2016/17 has been restated for Other Land and Buildings due to the inter group adjustment to correctly reflect the group position.

## Note 5 Property, Plant and Equipment (continued)

### Movement in 2017/18:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2017	262,666	354,993	44,784	271,322	880	5,627	10,423	950,695
Additions	6,765	32,861	3,841	8,241	-	-	9,115	60,823
Revaluation increases recognised in the Revaluation Reserve	(1,701)	2,951	-	-	-	(202)	-	1,048
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(3,008)	(3,240)	-	-	-	(590)	-	(6,838)
Derecognition – disposals	-	(8,666)	(3,719)	-	(169)	-	(3)	(12,557)
Assets reclassified (to) Held for Sale	-	(3)	-	-	-	-	-	(3)
Other movements in cost or valuation	2,721	(12,148)	55	15,176	9	951	(6,789)	(25)
<b>At 31 March 2017</b>	<b>267,443</b>	<b>366,748</b>	<b>44,961</b>	<b>294,739</b>	<b>720</b>	<b>5,786</b>	<b>12,746</b>	<b>993,143</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	12,102	41,456	27,467	42,360	329	92	-	123,806
Depreciation charge	6,291	12,264	3,774	7,899	17	58	-	30,303
Depreciation written out to the Revaluation Reserve	-	(1,649)	-	-	-	(71)	-	(1,720)
Depreciation written out to the Surplus on the Provision of Services	-	(50)	-	-	-	(32)	-	(82)
Derecognition – disposals	-	(1,546)	(3,638)	-	(54)	-	-	(5,238)
Other movements in depreciation and impairment	-	(7,103)	-	7,039	5	59	-	-
<b>At 31 March 2018</b>	<b>18,393</b>	<b>43,372</b>	<b>27,603</b>	<b>57,298</b>	<b>297</b>	<b>106</b>	<b>-</b>	<b>147,069</b>
<b>Net Book Value</b>								
at 31 March 2017	250,564	313,537	17,317	228,962	551	5,535	10,423	826,889
at 31 March 2018	249,050	323,376	17,358	237,441	423	5,680	12,746	846,074

## Note 6 Events After The Reporting Period

The unaudited Annual Accounts were issued on 28 June 2018 by Lorraine Paisey, Head of Financial Services.



## **Glossary of Terms**

### **Capital Expenditure:**

This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, or utilising the income from the sale of existing assets.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy

### **Current value**

For operational land and buildings, current value is the amount that would be paid for the asset in its existing use.

### **Economic Cost**

The total cost of performing an activity or following a decision or course of action.

### **Fair Value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **IFRS**

International Financial Reporting Standard

### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

### **Public Works Loan Board (PWLB):**

A Government Agency which provides loans to the Council.

### **Revenue Expenditure:**

This is expenditure incurred in providing services in the current year and which benefits that year only.

### **SeRCOP**

Service Reporting Code of Practice

### **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom

## **Sources of Additional Information**

The Annual Accounts is one of several documents published by The Moray Council and CIPFA giving financial information on the services provided in the Moray Area. Other annual publications are: -

- The Capital and Revenue Budget: giving detailed expenditure plans for the following financial year.
- Council Tax Information Leaflets (forming Part 2 of the Council Tax Demand Notice) issued by the Council: giving a summary of expenditure plans for the following year.
- Rating Review: published by the Scottish Branch of CIPFA, gives comparative statistics for all Scottish Local Authorities on local authority expenditure and service provision.